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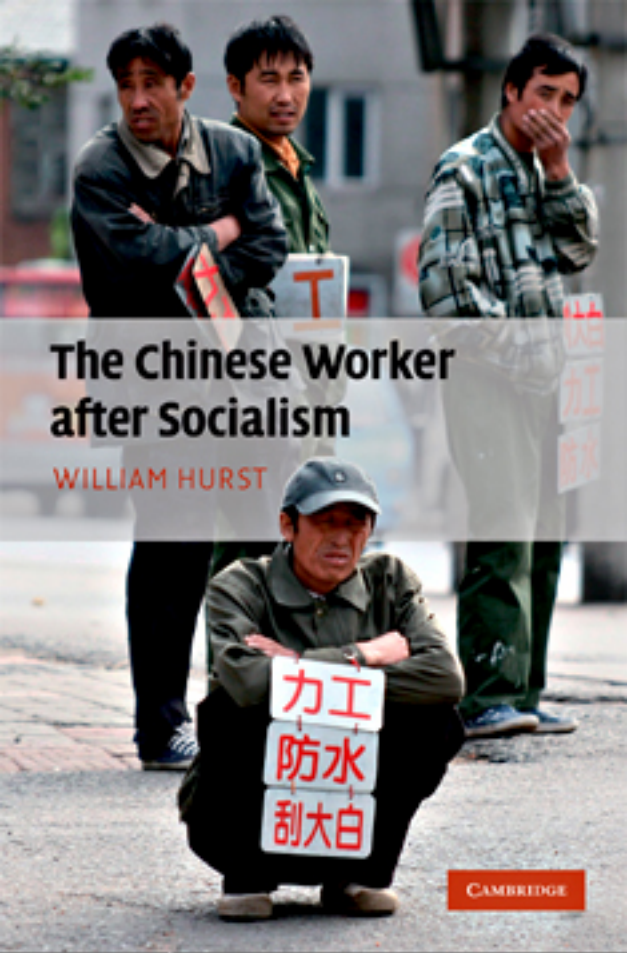

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The Chinese Worker after Socialism

While millions in China have been advantaged by three decades of reform, impressive gains have also produced social dislocation. Groups that had been winners under socialism find themselves losers in the new order. Based on field research in nine cities across China, this fascinating study considers the fate of one such group – 35 million workers laid off from the state-owned sector. This book explains why these lay-offs occurred, how workers are coping with unemployment, what actions the state is taking to provide them with livelihoods and re-employment, and what happens when workers mobilize collectively to pursue redress of their substantial grievances. What happens to these people, the remnants of the socialist working class, will be critical in shaping post-socialist politics and society in China and beyond.

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The Chinese Worker after Socialism

William Hurst

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Preface

As a teenager in the late 1980s to early 1990s, I was a mediocre athlete at a school not known for its sporting prowess. We played our games on New York City Parks Department fields. But this provided a window onto American de-industrialization. Walking to and from games along streets I might not otherwise have ventured down, or looking up from the sidelines or the dugout, I saw the storied but long-neglected Brooklyn Navy Yard, the equally famous but also rusted and crumbling Red Hook factories and piers, and neighborhoods that seemed to have had virtually all economic and social life sucked out from them. Also very much in the spotlight in those years were the disintegration of the Soviet Union, the triumph of Polish Solidarity, and the purported "collapse of communism." It was this context that sparked my interest in workers' politics in the last days of socialism, an interest further strengthened by even starker examples of de-industrialization I observed in Chicago as an undergraduate.

This book began life as my dissertation project in the Political Science Department at the University of California-Berkeley. When I was a brand new graduate student in 1998, Hong Yung Lee hired me in the fall semester as a research assistant. His assignment to me was to track down and evaluate what social scientists had written about Chinese lay-offs (*xiagang*) and state-owned enterprise reform. I was astonished to learn that so little had been written about a topic that seemed so significant.

The following semester, spring 1999, I took Ruth Collier's seminar on labor politics. There I learned about the diversity of that vibrant field. But I also perceived that a large portion – probably the majority – of scholarship on labor politics centered on the electoral strategies of labor-based parties or the political advocacy of trade unions. Since neither unions nor parties play much of a role in China, I began to wonder if this might be why relatively little attention had been paid to Chinese lay-offs. It was then that I decided to write a dissertation on the politics of unemployment in the Chinese state sector.

Kevin O'Brien has been the single most important adviser and mentor I had at Berkeley or anywhere before or since. It was in his classes that I gained a clear sense of where the gaps and well-trodden areas of the Chinese politics field were. After his return from Ohio and my return from fieldwork in China, he also played the leading role in helping to shape my dissertation into something more cogent and my thinking into that of a more mature social scientist. Also extremely helpful in my writing and later revision of the dissertation was Thomas Gold, a sociologist who has worked with an astonishing number of Berkeley China specialist students over the past twenty-five years. In the important interval between first-year courses and the start of my field research, David Collier and Lowell Dittmer helped me both to design a study that could bear fruit for political science and to understand how to go about conducting research in China. They each also came through with contacts and references for funding and affiliations that were essential for getting my fieldwork under way. Lastly, at key times during my writing, Kiren Aziz Chaudhry and Ruth Collier each offered important insights on how to sharpen my arguments and make my Chinese data more legible to comparative politics.

My studies at Berkeley, however, rested on the foundation of my undergraduate and masters-level training at the University of Chicago. In particular, William Parish, Lloyd Rudolph, and Dali Yang helped me acquire the solid grounding I needed to pursue my later research. Also essential to any successful research on China are contacts and affiliations with Chinese universities. I was based for my research at Beijing University, where the Research Center on Contemporary China and the School of Government provided needed affiliations, while Shen Mingming and Xu Xianglin provided essential support, guidance, and assistance in my work. Many friends, scholars, workers, officials, and managers who must remain anonymous played *the* key role in setting up most of my contacts and interviews in Beijing, Benxi, Chongqing, Datong, Harbin, Luoyang, Shanghai, Shenyang, and Zhengzhou. I am forever thankful for their help.

Access to libraries and the help of librarians is key to any research. In particular, Yifeng Wu and all the staff of the Center for Chinese Studies Library at the University of California-Berkeley were extremely helpful in every stage of my research. At Beijing University, the staffs of the contemporary periodical room and the reference collections were also very helpful. Jean Hung and all the librarians at the Universities Service Centre at the Chinese University of Hong Kong maintain the world's finest social science collection on contemporary China and have never failed to welcome even early-stage graduate students with open arms and

fabulous advice and support. David Helliwell, aided by an excellent staff, has expertly managed the Chinese collections at Oxford's Bodleian Library for over thirty years, providing unparalleled support for scholars and even specially purchasing materials useful for my research. I was also able to access important collections in the Shanghai Municipal Library and the National Library of China, for which I am grateful. Finally, during the stressful periods right before I submitted the final versions of the dissertation and manuscript, Sidnae Steinhart at Bowdoin, Meng-fen Su at the University of Texas at Austin, and the inter-library loan offices at both institutions, marshaled their resources and came through with crucial assistance.

Also usually unacknowledged, but tremendously important, are language teachers. I should thank all those who struggled to help me learn to function in Chinese, especially Yuming Guo and Chi-ch'ao Chao. Without their help, I could never have undertaken research in China.

No research can proceed without funding. I must thank for their generous support the National Security Education Program, Fulbright/IIE, the Harvard-Yenching Institute, the University of Hawai'i, Beijing University, the Urban China Research Network (based at SUNY-Albany), the British Academy, the University of California Institute for Labor and Employment, and the Center for Chinese Studies and Institute for International Studies (both at UC-Berkeley).

In addition to my advisers at Berkeley, many people offered comments on the manuscript. In particular, Marc Blecher, Mary Gallagher, Frank Pieke, Vivienne Shue, and Dorothy Solinger read all or nearly all of the manuscript in various forms and offered extremely helpful suggestions at many points. Additionally, the following people offered comments or critiques on substantial portions of my argument or text: Itty Abraham, John Armstrong, Caroline Arnold, Joseph Askew, Richard Baum, Richard Bensel, Thomas Bernstein, Catherine Boone, Daniel Buck, Yongshun Cai, Adam Yuet Chau, Calvin Chen, Xi Chen, Robert Cliver, Rebecca Clothey, Thomas Conlan, Christian Constantin, Mark Dallas, Bruce Dickson, Dwight Dyer, Kenneth Foster, Paul Franco, Mark Frazier, Douglas Fuller, Dru Gladney, Judy Gruber, Amy Hanser, Scott Harold, Maranatha Ivanova, Frank Kehl, Scott Kennedy, Pierre Landry, Henry Lawrence, Ching Kwan Lee, Lianjiang Li, Kun-chin Lin, Xiaobo Lü, Patricia MacLachlan, Melanie Manion, Andrew Mertha, Ethan Michelson, Chung-in Moon, Adnan Naseemullah, Andrew Nathan, Jean Oi, Michel Oksenberg, Eileen Otis, Pan Wei, Grigore Pop-Eleches, Jack Porter, Marsha Pripstein-Posusney, Martin Rivlin, Jean-Louis Rocca, Matthew Rudolph, Rudra Sil, Victor Shih, Marcin Sobkowiak, Edward Steinfeld, Rachel Stern, Wenfang Tang,

Murray Scot Tanner, Tao Ran, Sidney Tarrow, Patricia Thornton, Eric Thun, Kellee Tsai, Mark Vail, Carsten Vala, Andrew Walder, Andrew Wedeman, Kurt Weyland, Susan Whiting, Jaeyoun Won, Joseph Wong, Dali Yang, Jianjun Zhang, and Dingxin Zhao. While I appreciate all this help and advice, I remain responsible for all errors and deficiencies that remain in my work.

Much of Chapter 5 and small parts of Chapter 1 appeared originally as "Understanding Contentious Collective Action by Chinese Laid-off Workers: The Importance of Regional Political Economy," *Studies in Comparative International Development* 39/2 (2004), pp. 94–120. I am thankful to be able to reuse some of this material with the kind permission of Springer Science and Business Media.

I am very grateful to Rana Mitter for his friendship and help with many things at Oxford, but also for introducing me to Marigold Acland, who has been superb in her role as my editor at Cambridge University Press. She and others at Cambridge have been responsible for transforming this book from a set of rough Word documents into the finished product. Two anonymous reviewers also put great effort into making the book a success – one of them even provided detailed critical notes in the margins of nearly every page.

Lastly, I am thankful to my wife Ling and son Malcolm for being tremendously supportive of me throughout my research and writing, as well as immensely patient through all of the nights, weekends, and holidays I have had to spend making revisions. I dedicate this book to them.

Introduction

After three decades of reform, China acquired a commanding presence on the world stage. Growth was astounding, as China became the workshop to the world, an important player in world financial and industrial markets, and a recipient of jobs outsourced from advanced industrial countries.[1] China in 2008 bore little resemblance to the poor and unstable bastion of autarky and charismatic revolution that took its first cautious steps toward reform and opening in 1978. But there was another side to this great transformation.[2]

China's impressive gains brought significant social dislocation, in particular for groups that had been winners under socialism, but found themselves losers in the new post-socialist order. Such groups were "victims in a social system that still insists that they are the true rulers."[3] This book explains how one such group – laid-off state-owned enterprise (SOE) workers – became dislocated, the social and political effects this had, and patterns of workers' contention and resistance.

The scale of social disruption was unprecedented even in China.[4] Between 1993 and 2006, more than 60 million jobs (a total nearly equal to the entire population of France) were lost in Chinese SOEs and urban collective sector enterprises.[5] This represented a net downsizing of more

[1] James Kynge, *China Shakes the World: The Rise of a Hungry Nation* (London: Weidenfeld & Nicolson, 2006).

[2] Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1957), especially the concept of "double-movement."

[3] Michael Dutton, ed., *Streetlife China* (Cambridge: Cambridge University Press, 1998), p. 14.

[4] Immediately after the Great Leap Forward, 20 million SOE workers were stripped of their class status (and urban household registration), cast out of the cities, and returned to the countryside: Mark W. Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management* (Cambridge: Cambridge University Press, 2002), pp. 217–18.

[5] Though it is impossible to tell exactly how many workers were laid off, in 2002 the Ministry of Labor and Social Security (known for its under-reporting of lay-offs) told the foreign media that more than 26 million workers had been laid off between 1998 and mid 2002: Agence France-Presse, "Pessimism on Employment Front," *South China Morning Post*, October 28, 2002.

than 40 percent of formal sector urban jobs over less than 15 years. Despite efforts of the Chinese central state and its local agents, re-employment for these displaced masses was difficult to achieve, leading many dejected workers to wonder, "with nothing to eat, can this still be called socialism?"[6]

As might be anticipated, lay-offs precipitated widespread contention by workers. They also produced deep-seated worries among China's elite about the stability and security of society and the political system. As one central government official explained, "lay-offs are now the most pressing problem for us. Every night I work until nine o'clock because of this, and even after I go home, I cannot sleep knowing how serious the problems are. If we cannot protect the working class while also successfully reforming the state sector, we cannot preserve Chinese Communism."[7] Job losses were thus imbued with an acute political urgency. Phrased starkly by an SOE manager in Chongqing, lay-offs were "China's largest, most severe, and most important human rights problem today."[8]

The scope and severity of the problem, as well as the threats it posed, raised concerns among Chinese and foreign academics, Chinese officials, the World Bank and United Nations, the United States intelligence community, and others.[9] Even if the Chinese Communist Party (CCP) emerged relatively unscathed, China's political, economic, and social landscape had been irreversibly transformed and some of the most important bonds of its socialist social contract irreparably torn asunder.[10]

In 1997, at the fifteenth Communist Party Congress, then General Secretary Jiang Zemin opened the proceedings with a lengthy speech. In

[6] Shi Shusi, "Zhengfu, Ni Zhunbei Haole ma?" (Government, Are You Well Prepared?), *Gongren Ribao*, January 14, 1995, p. 1.

[7] Beijing interviewee 2.

[8] Chongqing interviewee 45.

[9] See, e.g., Guowuyuan Fazhan Yanjiu Zhongxin, Documents 84–7 in the series *Diaocha Yanjiu Baogao*, 1999; Chow Chung-Yan, "Slow Growth and Put People First, Wen Tells Leaders," *South China Morning Post* (Hong Kong), March 1, 2004; *Xinhua*, "Interview with Minister of Labor and Social Security Zheng Silin," *FBIS-CHI* 423 (2003); and "Zhenxing Dongbei" (Rejuvenate the Northeast), http://news.xinhuanet.com/focus/2004-03/12/content_1359557.htm (accessed March 26, 2004); Lian Yuming, ed., *2002 Xinxin Zhongguo Niandu Feiwanquan Baogao: Zhongguo Lingdao Hongpi Shu* (2002 New China Annual Partial Report: Red Book of Chinese Leadership) (Beijing: Zhongguo Shidai Jingji Chubanshe, 2002), pp. 47–51; Neil C. Hughes, *China's Economic Challenge: Smashing the Iron Rice Bowl* (Armonk: M.E. Sharpe, 2002); United Nations Development Program (UNDP), *China Human Development Report* (New York: Oxford University Press, 1992); Charles Wolf Jr., K.C. Yeh, Benjamin Zycher, Nicholas Eberstadt, and Sung-Ho Lee, *Fault Lines in China's Economic Terrain* (Santa Monica: RAND, 2003).

[10] Wenfang Tang and William L. Parish, *Chinese Urban Life under Reform: The Changing Social Contract* (Cambridge: Cambridge University Press, 2000).

it he issued the first public calls for comprehensive reform of SOEs and the associated "iron rice bowl" employment system that had dominated urban Chinese labor relations since the 1949 revolution.[11] Informal reforms had, in fact, been undertaken quite a bit earlier in some regions and sectors. Indeed, by the early 1990s, many workers had already been cast out of the embrace of Chinese socialism.[12]

The marginalization of China's working class was gradual, but unremitting. As the same Chongqing manager put it, "the whole phenomenon of SOE lay-offs is like boiling a fish. If you drop it directly into a pot of boiling water, it will fight to the death and try to escape. But if you put it in a pot of cold water and gradually turn up the heat, the fish just sits there quietly. It has no feeling and then it just dies. This is what the state has been doing to China's great proletariat for the past 10 years."[13] Just how this process unfolded is the subject of this book.

Based on 21 months of field research (mainly from summer 2000 through winter 2001, and from summer 2001 to summer 2002, with shorter follow-up trips in January 2003, December 2004, and March 2006) in 9 Chinese cities, and roughly 300 in-depth interviews, the following chapters explain: (1) how and why state sector lay-offs occurred; (2) what responses the state has taken and how they succeeded or failed in providing for workers' livelihoods and promoting re-employment; (3) the methods workers used to cope with their unemployment and their informal strategies for re-employment; and (4) patterns of workers' contention and state response. This extends the boundaries of scholarship,

[11] Jiang Zemin, "Gaoju Deng Xiaoping Lilun Weida Qizhi, Ba Jianshe You Zhongguo Tese Shehuizhuyi Shiye Quanmian Tui Xiang Ershi Yi Shiji: zai Zhongguo Gongchandang di Shiwu Ci Quanguo Daibiao Da Hui shang de Baogao" (Raise High the Mighty Banner of Deng Xiaoping Theory, Comprehensively Push the Cause of Constructing Socialism with Chinese Characteristics into the Twenty-first Century: Report at the Fifteenth All China Representative Congress of the Chinese Communist Party), as published in *Zhongguo Gongchandang di Shiwu Ci Quan Guo Daibiao Da Hui Wenjian Huibian* (Compilation of Documents of the Fifteenth Party Congress of the Chinese Communist Party) (Beijing: Renmin Chubanshe, 1997), especially Part 2 (entitled "Jia Kuai Tuijin Guoyou Qiye Gaige"), pp. 23–5.

[12] Gangzhan Fu, Athar Hussain, Stephen Pudney, and Limin Wang, *CP No. 21 – Unemployment in Urban China: An Analysis of Survey Data from Shanghai* (London: Research Programme on the Chinese Economy, STICERD, London School of Economics, 1992); Shanghaishi Zonggonghui Gongren Jieji Duiwu Zhuangkuang Diaocha Bangongshi, *Gaige Kaifang Zhong de Shanghai Gongren Jieji Duiwu Zhuangkuang Diaocha yu Fenxi* (Investigation into and Analysis of the Situation of the Ranks of the Working Class in Shanghai in the Midst of Reform and Opening) (Shanghai: Shanghaishi Zonggonghui Gongren Jieji Duiwu Zhuangkuang Diaocha Bangongshi (Document dated December 30, 1992).

[13] Chongqing interviewee 45.

which until now has focused on narrower aspects of the problem, based on research in a smaller range of localities.

Indeed, most research on the problem of state sector lay-offs by Chinese scholars has focused on possible policy solutions and mechanisms for re-employment and has sometimes relied perhaps too heavily on notoriously spotty official statistics.[14] In work by Western scholars, many, like Yongshun Cai, Feng Chen, and Ching Kwan Lee, have focused on threats to social stability and collective action by laid-off workers.[15] Others, such as Dorothy Solinger and Jaeyoun Won, have examined issues related to re-employment prospects, coping strategies, and welfare schemes.[16] Finally, Mary Gallagher, Edward Steinfeld, and others have studied the political economy of SOE reform with an eye, in part, to explaining the causes of lay-offs.[17] To be truly comprehensive, however, new work on Chinese laid-off workers must encompass all of these topics, adding something both theoretically and empirically to each. That is what this study undertakes to do. But first, it is necessary to further outline my basic analytical approach, briefly discuss the sources and methods I used, and define important concepts.

Analytical approach

Marx long ago stated in his essay on *The Eighteenth Brumaire* that human actors make their own history, but not always exactly as they please.

[14] Besides being incomplete, unreliable, and frequently manipulated, data on many important variables were deliberately concealed under orders from a skittish Party Center and central government. See Ministry of Labor and Social Security, "Laodong he Shehui Baozhang Bu, Guojia Baomi Ju Guanyu Yinfa 'Laodong he Shehui Baozhang Gongzuozhong Guojia Mimi ji Qi Miji Juti Fanwei de Guiding' de Tongzhi" (Notice from the Ministry of Labor and the Bureau of State Secrets regarding the "Regulations on the Concrete Scope of State Secrets and Other Things of Secret Classification in the Course of Labor and Social Security Work"), (Document 4 of the Ministry of Labor and Social Security, 2000).

[15] See, e.g., Yongshun Cai, *State and Laid-off Workers in Reform China: The Silence and Collective Action of the Retrenched* (Abingdon: Routledge, 2006); Feng Chen, "Subsistence Crises, Managerial Corruption, and Labour Protests in China," *China Journal* 44 (2000), pp. 41–63; Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007).

[16] See, e.g., Dorothy J. Solinger, "Path Dependency Reexamined: Chinese Welfare Policy in the Transition to Unemployment," *Comparative Politics* 38/2 (2005), pp. 83–101; Jaeyoun Won, "Withering Away of the Iron Rice Bowl? The Re-employment Project of Post-Socialist China," *Studies in Comparative International Development* 39/2 (Summer 2004), pp. 71–93.

[17] See, e.g., Mary E. Gallagher, *Contagious Capitalism: Globalization and the Politics of Labor in China* (Princeton: Princeton University Press, 2005); Edward S. Steinfeld, *Forging Reform in China: The Fate of State-Owned Industry* (Cambridge: Cambridge University Press, 1998).

Rather, the actions of all individuals are to some extent conditioned by their structural contexts that, in turn, were shaped by historical processes. Nineteenth-century French insurrectionists were influenced and constrained by structural and historical forces. So too, at the turn of the twenty-first century, the behavior of Chinese workers, state sector managers, and even high-level officials was shaped by the political institutions, societal norms, economic structures, and intellectual traditions of the world in which they lived. As the socialist era drew to a close, the position of workers in the new order was conditioned by their earlier role in one of the world's most protracted, violent, and thoroughgoing struggles to achieve a particular vision of communist utopia.

Typical of scholars in the broad historical institutionalist tradition has been a focus on state-level (that is, country-level) decisions at critical junctures or inflection points.[18] A useful metaphor for this perspective is the ship of state. This ship sails along a fixed course until sharp rocks appear in its path. The ship must then either turn in some direction or career into the rocks. Politically, at critical junctures the story becomes one of explaining which choice was made and whether it was made because of the captain's quick thinking, a mutiny, a broken rudder, or a change in the winds: that is, what the central state did, why, and with what effect on the country's overall long-term trajectory.

To understand most of the important outcomes in China, this way of thinking is not ideal. Rather, Chinese politics bears a greater resemblance to a primitive particle accelerator, in which subnational units behave like particles moving in the national context of the accelerator. The shape of the accelerator and the general direction of the particles are controlled by the central state, but the behavior of each subnational unit is at least somewhat independent of the others. Moreover, when faced with a critical juncture, the central leadership cannot steer all the particles as an integrated whole, the way a captain would pilot a ship. It can merely throw a barrier across the path of the particles. All the particles collide with the barrier but they do not emerge on the other side all in the same shape or traveling along a single path.

There is a kind of splatter pattern of new trajectories on the other side of the critical juncture – one shaped as much by the legacies of each subnational unit's shape and behavior before it hit the barrier as by the contours of the barrier itself. The nature and behavior of the central state

[18] Ruth B. Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991); Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992).

still matter, but the main action is at the subnational level and the most fruitful research is at this lower level of analysis. Phrased differently, "national political economies are not coherent systems but rather incoherent composites of diverse subnational patterns that coexist (often uneasily) within the same national territory."[19] Central states control basic parameters, but subnational variation is often more objectively important and theoretically interesting.

To understand outcomes and causal processes in a variety of contexts, observations must be made among or within subnational units.[20] Specifically, "a focus on comparing subnational units better equips us to handle the spatially uneven nature of major processes of political and economic transformation . . . in addition to providing a salutary increase in our ability to accurately describe complex processes, a focus on subnational units has important implications for how we theorize such processes. Disaggregating countries makes it possible to explore the dynamic linkages among the distinct regions and levels of a political system. Analyzing these linkages is an indispensable step for understanding and explaining the fundamental processes of political and economic change."[21] This is the analytical perspective I adopt in this book.

My approach is essentially a "most similar systems" design of subnational comparative analysis within a single country. This means that variation of possible causes (so-called "X-variation") is more or less confined to a specified set of attributes, but there is considerable variance in outcomes ("Y-variation") observed.[22] Specifically, I can keep the national environment constant and largely restrict possible independent variables to factors that differentiate several regions. Causal stories that produce divergent outcomes across regions can then be more easily pinned down. Subnational comparison of this sort can be useful for creating bounded theories, specifying the antecedent conditions

[19] Richard M. Locke, *Remaking the Italian Economy* (Ithaca: Cornell University Press, 1995), p. 3.

[20] See, e.g., Richard Bensel, *The Political Economy of American Industrialization, 1877–1900* (Cambridge: Cambridge University Press, 2000); Gary Herrigal, *Industrial Constructions: The Sources of German Industrial Power* (Cambridge: Cambridge University Press, 1996); Robert D. Putnam, Robert Leonardi, and Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993); and Aseema Sinha, *The Regional Roots of Developmental Politics in India: A Divided Leviathan* (Bloomington: Indiana University Press, 2005).

[21] Richard Snyder, "Scaling Down: The Subnational Comparative Method," *Studies in Comparative International Development* 36/1 (2001), pp. 94–5.

[22] Adam Przeworski and Henry Teune, *The Logic of Comparative Social Inquiry* (New York: Wiley-Interscience, 1970), pp. 32–4.

(background variables) required for these theories to operate, and providing some test of the necessity of these background conditions and thus estimating the scope of generalizability of the theories inferred.[23]

Since the 1980s, many have agreed that the essence of Chinese politics is its "diversity, conflict, fragmented authority, and central policy that diverges from local reality."[24] Research on Chinese politics has analyzed "macro-regions," the "honeycomb polity," and other variously demarcated subnational units.[25] Evidence for the usefulness of this type of perspective can also be drawn from events and analyses of the final decade of the USSR's existence, as that country's process of "reform and opening" (there, in Russian, called *perestroika* and *glasnost*; in China termed *gaige kaifang*) came to a head. Examining only the externally observable actions of the central state, as many scholars did during the 1980s, would have uncovered relatively few hints of the Soviet Union's impending demise. If one looked at what was happening at lower levels of government – in the regions – and throughout much of Soviet society, however, the increasingly unstable nature of the regime would have been much clearer.

Indeed, watershed events such as the collapse of the Soviet Union are frequently little related to the machinations of marshals in Moscow, bureaucrats in Beijing, lords in London, or presidents in Paris. Such macro-level outcomes are often the product of processes visible or comprehensible only at more micro or middle levels. Sometimes (as in the case of the USSR's disintegration) they occur *precisely because* central governments become disconnected from the subnational components they preside over.

Macro outcomes also do not come to pass overnight or all at once. Processes such as the routinization of charisma, the consolidation of

[23] Stephen van Evra, *Guide to Methods for Students of Political Science* (Ithaca: Cornell University Press, 1995), p. 55; Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2004), chs. 3, 6, 8, 9, and 11.

[24] David M. Lampton, "The Implementation Problem in Post-Mao China," in Lampton, ed., *Policy Implementation in Post-Mao China* (Berkeley: University of California Press, 1987), p. 5.

[25] See, e.g., G. William Skinner, *Marketing and Social Structure in Rural China* (Ann Arbor: Association for Asian Studies, 1993); Vivienne Shue, *The Reach of the State: Sketches of the Chinese Body Politic* (Stanford: Stanford University Press, 1988); Edward Friedman, "Reconstructing China's National Identity: A Southern Alternative to Mao-Era Anti-Imperialist Nationalism," *Journal of Asian Studies* 53/1 (1994), pp. 67–91; Thomas P. Bernstein and Xiaobo Lü, *Taxation without Representation in Contemporany Rural China* (Cambridge: Cambridge University Press, 2003); Kellee S. Tsai, *Back-Alley Banking: Private Entrepreneurs in China* (Ithaca: Cornell University Press, 2002); Jude Howell, "Reflections on the Chinese State," *Development and Change* 37/2 (2006), pp. 273–97.

revolutions, the birth and death of states and nations, and the making and transformation of social or political orders are by definition not rigidly discrete events or singular observation points. There is no simple toggle switch between plan and market, between charismatic communism and liberal capitalism, between socialism and post-socialism. Large changes entail complex and ongoing processes that evolve over long periods of time along routes that are rarely linear.

Appreciation of this fluidity and complexity is a necessary precondition to valid and accurate explanation of many important phenomena. My approach is broadly consistent with the historical institutionalist tradition, but focuses on the systematic comparison of subnational units. This promotes assembling some pieces of the puzzle of Chinese politics that twenty years of disaggregation have alerted us to.[26]

Sources and methods

Intensive interviewing has a venerable tradition in the study of China. In earlier days, researchers were confined to émigré interviews in Hong Kong.[27] After the opening of Mainland China to fieldwork by foreign scholars, interview-based methods took on expanded importance. Suddenly, interviews and field research could provide more details of causal mechanisms, transcending the identification of relationships from afar.

Relying on interviews, in combination with various written sources, I seek first "to grasp concepts that, for another people, are experience-near, and to do so well enough to place them in illuminating connection with experience-distant concepts theorists have fashioned to capture the general features of social life . . . to figure out what the devil they think they are up to."[28] Telling the story of lay-offs from the point of view of Chinese officials, managers, and workers is important. But my angle of attack differs from true ethnography in several respects.

First, there was no "participation" in my observation. I did not live in workers' housing compounds, work on production lines, or stand alongside workers on the barricades. This would have been politically

[26] Elizabeth J. Perry, "Trends in the Study of Chinese Politics: State–Society Relations," *China Quarterly* 139 (September 1994), pp. 712–13.

[27] See, e.g., Martin King Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984); Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986).

[28] Clifford Geertz, *Local Knowledge: Further Essays in Interpretive Anthropology* (New York: Basic Books, 1983), p. 58.

impossible and likely would have endangered my research subjects. It also would have forced a much greater concentration of time and resources on a single research site and precluded any regional comparison.

Second, I did not seek to sketch "wall-sized culturescapes of the nation, the epoch, the continent, or the civilization."[29] Instead, I draw measured generalizations about how different parts of China fit together and what this tells us about broader questions in comparative politics. Rather than attempting to interpret human emotions or draw universal covering laws, I use my interviews to produce textured accounts of events. I am both less micro and less macro than the ethnographer, more content than the anthropologist to say, "From there it is just turtles all the way down,"[30] but also unwilling to scale the highest levels of abstraction common in contemporary anthropology and sociology.

Third, rather than protracted interpersonal interactions with research subjects, I conducted a series of discrete interviews. I met with each interviewee between once and four times, averaging a total of one to three hours with each interviewee. During each meeting, we had focused discussions. The purpose of my interviews was not to interpret the layers of meaning in my interviewees' experiences, but to determine which of my initial hypotheses might hold, what new hypotheses might best replace those that needed to be jettisoned, and what mechanisms could be specified to connect causes with effects. This bounded, causally oriented, focused format differed substantially from the more open-ended, interpretive style of much ethnographic research.[31]

My method also differed from the "structured" interview techniques employed by sociologists such as Doug Guthrie.[32] Instead of following a questionnaire in every interview, my discussions were freer-ranging. I always asked basic questions – age, work status and history, education level, etc. – but beyond that, I did not follow a survey instrument, and instead allowed interviewees to discuss issues and ideas that concerned them.

[29] Clifford Geertz, *The Interpretation of Cultures* (New York: Basic Books, 1973), p. 21.
[30] Ibid., p. 29.
[31] Excellent recent examples of interpretive ethnography in sociology are Jay MacLeod, *Ain't No Making It: Aspirations and Attainment in a Low-Income Neighborhood* (Boulder, CO: Westview Press, 1995); Mitchell Duneier, *Slim's Table: Race, Respectability, and Masculinity* (Chicago: University of Chicago Press, 1992); and Amy Hanser, "Counter Strategies: Service Work and the Production of Distinction in Urban China" (Ph.D. dissertation in sociology, University of California-Berkeley, 2005).
[32] Doug Guthrie, *Dragon in a Three-Piece Suit: The Emergence of Capitalism in China* (Princeton: Princeton University Press, 1999).

Mine were "focused interviews" in the tradition of Robert Merton and his collaborators.[33] Through a series of relatively unstructured questions and non-directed discussions, I sought to elicit from interviewees as much detail as possible about their experiences and perceptions of lay-offs, the reasons behind them, and their economic, social, and political effects. I also sought information, when possible and relevant, on the implementation and efficacy of official policies regarding lay-offs, the channels to re-employment actually used by displaced workers, aspects of workers' contention, and other more specialized topics.

Interviewees were selected from as broad a cross-section of relevant actors as possible. Among workers, I endeavored to select a roughly equal proportion of men and women. In each city, I also managed to draw interviewees from each major industrial sector, from each urban district, and distributed roughly equally across job grades and skill levels, as well as between the ages of twenty-five and fifty-five. Among managers, in each city, I spoke with individuals from each major industrial sector, from foremen up through factory directors and party secretaries. Among officials, I focused my interviews among members of directly relevant bureaucracies (such as labor, civil affairs, state planning, public security, and industrial bureaus), but never turned down offers to be interviewed from officials in any segment of the bureaucracy.

I arrived in each city with at least two, and usually three or more, contacts (some officials or managers, some workers). These individuals introduced me to potential interviewees in their personal networks. I then used a combination of techniques to expand my set of interviewees. Most obvious was "snowballing" through the networks of interviewees my initial contacts had introduced me to. Also important was "secondary snowballing," building on contacts ancillary to these primary networks (e.g., a worker I bumped into when I mistakenly entered her apartment building *en route* to an interview, who then agreed to be interviewed herself and introduced me to some of her contacts). Finally, I simply approached individuals in the midst of their daily activities and asked for interviews – for example, workers searching for jobs in outdoor labor markets, managing the street stalls they had started after leaving their work units, or sitting in a ramshackle teahouse beside a shuttered cinema and derelict soccer field in a work unit compound. Only a handful of the more than thirty people I approached this way refused to be interviewed.

Some may object to the lack of "random sampling" of interviewees. In fact, by drawing subjects from several social groups in nine different

[33] Robert K. Merton, Marjorie Fiske, and Patricia L. Kendall, *The Focused Interview: A Manual of Problems and Procedures*, 2nd edn. (New York: Free Press, 1990).

cities, one could argue that my interviews represent Chinese society better than some survey research samples of respondents confined to a single atypical city.[34] More important, my goals are fundamentally different from those of survey research requiring a random sample. I *do not* seek to draw probabilistic statistical inferences from my data. Most important for me was to ensure that as many different elements of the population of workers, managers, and officials were included and that every point of view was given voice. It was thus not particularly important to ensure that each subgroup was represented by a percentage of interviewees equivalent to its proportion within the population.

Besides interviews, I also relied on other kinds of sources, including Chinese official documents and publications, Chinese and English secondary literature, and official statistics. These are crucial for corroborating findings from discussions with a relatively small number of people who might not always accurately tell an interviewer everything about their individual experience, let alone the wider reality of their enterprise, city or region.

Concepts

Some important concepts are complicated in the Chinese context. Even Chinese experts and officials have been confused and have contested definitions and usage. Before proceeding, it is necessary to mention debates over the meaning of some of these, and to specify how I use them.

Employment

The Chinese term employment (*jiuye*) literally means "to engage in a line of business." But this concept in China goes well beyond the core attributes of (1) engaging in regular economic activity, and (2) supporting one's subsistence from such activity.[35] Many Chinese workers associated "employment" with work unit (*danwei*) membership. I use the term employment to refer to the minimal concept of engaging in regular economic activity as a primary means to subsistence. When speaking of employment

[34] Tianjian Shi, *Political Participation in Beijing* (Cambridge, MA: Harvard University Press, 1997).

[35] For more on the concepts of employment and unemployment in the Chinese context, see Zhang Libin, "Guanyu Woguo Jiuye he Shiye Gainian de Yanjiu" (Research on Our Country's Concepts of Employment and Unemployment), *Zhongguo Laodong* 4 (2002), pp. 13–15.

specifically in the context of Chinese SOEs, I intend to invoke the wider meaning of work unit membership.

Work unit

Ideas of "work unit socialism" and the "*danwei* system" are well known.[36] Beyond a place of work, the work unit, or *danwei*, was an all-encompassing social unit that provided housing, food, education, healthcare, and recreational facilities to workers. It was the basic institution of both production and social life in urban China.[37] When workers were laid off, they stopped working, stopped receiving wages, and often stopped receiving most other types of benefits. But they did not immediately sever all ties with their work units. When workers became formally unemployed, they officially separated from their work units.

Unemployment

Shiye, literally the loss of work, is the Chinese term for unemployment. It carries a specific and narrow meaning. To be unemployed in urban China, one must have officially registered (*dengji*) as such. Permission from the labor bureau to do so was traditionally granted only in situations where one's work unit had ceased to exist. Thus, a formally "unemployed" worker in urban China had (1) stopped working, *and* (2) severed all formal relations with his or her work unit, *and* (3) registered as unemployed. Because of this very narrow definition, the category covered only a small portion of China's jobless. As one official publication put it, "the urban registered unemployment rate is only the tip of the iceberg" (*chengzhen dengji shiye lü zhi shi bingshan yi jiao*).[38]

Lay-offs

Lay-offs were usually referred to as *xiagang*, or "off post." This was conceptually distinct from unemployment. Being laid off meant being

[36] See, e.g., Gail E. Henderson and Myron S. Cohen, *The Chinese Hospital: A Socialist Work Unit* (New Haven: Yale University Press, 1984); Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986); David Bray, *Social Space and Governance in Urban China: The Danwei System from Origins to Reform* (Stanford: Stanford University Press, 2005); Elizabeth J. Perry and Xiaobo Lü, eds., *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk: M. E. Sharpe, 1997).

[37] Yang Shaomin and Zhou Yihu, *Zhongguo Danwei Zhidu* (The Chinese Danwei System) (Beijing: Zhongguo Jingji Chubanshe, 1999).

[38] Lian Yuming, ed., *Zhongguo Lingdao Hongpi Shu* (Red Book of Chinese Leadership) (Beijing: Zhongguo Shidai Jingji Chubanshe, 2003), p. 48.

relieved of one's job and denied pay, but remaining a member of one's work unit. A laid-off worker had to have (1) lost his or her job, *and* (2) not found new employment, *and* (3) *not* severed formal relations with his or her work unit. Laid-off workers were officially meant to transition into the non-state sector or eventually to rejoin the workforce in their original units.

Re-employment

The term *zaijiuye* (re-employment) was long ubiquitous in Chinese publications. The "re-employment project" (*zaijiuye gongcheng*) was the dominant template for discussion of lay-offs. There was never any definitive statement of just what constituted re-employment, however.

The re-employment project was intended to move laid-off workers into new jobs outside the state sector. Various policies were adopted, including living subsidies, training courses, and tax breaks. Local officials sometimes manipulated statistics on re-employment, counting workers as re-employed who, in fact, had no regular work.

The re-employment project and *xiagang* category were officially phased out in 2003. After that, workers leaving SOE jobs were meant to sever official relations with their work units immediately and register as unemployed if they had no new jobs to take up.

Labor relations

The Chinese concept of labor relations, *laodong guanxi*, does not refer to collective bargaining or employment contracts. Rather, labor relations are nearly synonymous with work unit membership. A worker's dossier (*dang'an*) was kept in the unit with which he or she had labor relations. Once labor relations were severed, the work unit ceased to have any formal control over or responsibility for the worker and had to surrender the dossier. In the Maoist period, labor relations were also a basis for urban household registrations and a key to guaranteed employment for one's descendants.

Without formal labor relations with a work unit, a worker became "unit-less," formally outside the institutional net of the planned economy and without recourse to pay or benefits. In the absence of a comprehensive state-administered welfare system, such a worker effectively joined the ranks of those outside the social protection system – peasants, migrants, and others excluded from the work unit system.

Dossier and household registration

The dossier (*dang'an*) and household registration (*hukou*) are specific to China in an increasingly bygone era. Under the *danwei* system, workers' dossiers were kept at their work units. The unit had responsibility for (and control over) most aspects of workers' lives and sometimes even bore criminal liability for their actions or held decisive influence over their family planning decisions. Dossiers contained personal records, documentation of residence, employment, family status, medical conditions, and of any improper past activities and punishments received.

The household registration system was established in the 1950s to restrict the influx of villagers into cities. Every household in China was classified as either "agricultural" (rural) or "non-agricultural" (urban) – *nong* or *feinong*. Rural households were prohibited from residing in cities or accessing urban goods, services, or social benefits. Even urban households could not easily transfer their *hukou* or change their official place of residence.

Overview

Chapter 1 maps the terrain of Chinese unemployment in more detail. It defines the relevant regions, examines patterns of job losses, and explains my choice of research locales. It also outlines the logic of comparison and analysis underpinning subsequent chapters.

Chapter 2 examines the political economy of SOE labor reform and the reasons for lay-offs. In contrast to the monocausal explanation offered by many other researchers, three distinct processes led to lay-offs in different places at different times. In no region was the simple and inexorable advance of the market genuinely a primary factor. The broad framework of particularistic bargaining and negotiation that evolved during the planned economy was enhanced, rather than diminished, by reform.

Chapter 3 looks at state responses to lay-offs and government attempts to ensure workers' welfare and re-employment. Instead of a smooth transition from work unit socialism to a universalist welfare state, piecemeal reforms made China resemble a patchwork of half-implemented policies. This, even when it promoted workers' re-employment and welfare, left much scope for local variation and informal remedies.

Chapter 4 traces workers' methods for obtaining new jobs and making ends meet. Many workers relied on informal networks of connections to find new jobs, to secure credit, or just to maintain their subsistence. The development of a new kind of informal sector, rooted in particular types

of social networks, took place alongside the disintegration of formal socialist employment and the remains of the planned economy.

Chapter 5 analyzes workers' contention. This dramatic outcome did not arise everywhere in the same degree or for the same reasons. Maoist legacies, local resources, and regionally specific frames and opportunities promoted distinct modes of collective action. Assessing why workers took to the streets, and local governments' responses, also provides a coda, as all aspects of regional political economy discussed in the preceding chapters are reprised in this explanation.

1 Regional political economy and labor reform

Introduction

My arguments to come are based on a subnational comparison of Chinese regions. This chapter outlines and defines the regions where lay-offs have occurred, reviews the historical roots of regional political economies, and specifies the dimensions of contemporary regional political economy that shaped relevant outcomes of SOE labor reform.

While regional analysis is not unknown in the study of China, the particular type of subnational comparison employed here has not been widely used by China scholars. Specifically, I first seek to divide China into meaningful subnational units. This is a step that previous scholarship has often paid insufficient attention to.[1] The next step is to define important variables on which these units differ. Finally, representative localities from within the units must be selected for more intensive study. Each step is discussed below.

Lay-offs and regions in China

No one disputes the vast scale of job losses. Approximately 143,131,500 workers were employed in SOEs and urban collectives at the end of 1993.[2] By the end of 2002, only 79,947,000 were still on the job.[3] This represents a net loss of more than 63 million jobs – roughly a 44 percent reduction of the 1993 state sector workforce within a 10-year period. A further 7 million jobs were lost, by official count, between 2002 and 2004, and nearly 3 million more by the end of 2005.[4]

[1] Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007).
[2] *Zhongguo Laodong Tongji Nianjian* (Beijing: Zhongguo Tongji Chubanshe, 1994), pp. 269, 384.
[3] *Zhongguo Laodong Tongji Nianjian* (Beijing: Zhongguo Tongji Chubanshe, 2003), pp. 271, 373.
[4] *Zhongguo Laodong Tongji Nianjian* (Beijing: Zhongguo Tongji Chubanshe, 2005), pp. 315–84); *Zhongguo Laodong Tongji Nianjian* (Beijing: Zhongguo Tongji Chubanshe, 2006), pp. 293, 362.

But lay-offs were not an equally significant issue in all parts of China. This should be no surprise. Phenomena like structural unemployment in manufacturing or deforestation never affected all regions of the United States or Brazil equally. Many parts of China never experienced many involuntary job losses and need not be analyzed in detail. But those areas that did see large-scale lay-offs can be divided into several distinct regions.

First there is the matter of discerning where jobs were actually lost. Surprisingly little reliable information is available about where and when lay-offs occurred. Officials claimed that even internal statistics and secret reports were seriously distorted and often completely inaccurate.[5] Despite the dearth of information, one can get a basic idea from official statistics of when and where jobs were lost.

Overall, Chinese government numbers show a 35 percent drop in SOE employment (counting urban collectives) between 1993 and 2000, with further declines up through at least 2004. Nationally, the bulk of job losses occurred after 1997, when the SOE workforce was still at 97 percent of its 1993 size. These numbers concealed many informal lay-offs and voluntary departures across several regions, however, especially during 1997 – many of which were not reported until 1998, making it look as though more jobs were lost in that one year than actually were.

Looking in more detail, roughly two-thirds of SOE workers in 1993 were situated in the areas identified below as experiencing significant problems with lay-offs (not counting the cities of Lanzhou and Baotou). These areas experienced an overall 39 percent reduction in the state sector labor force by 2000, while the rest of China saw cuts of only 28 percent. But official statistics on such broad trends take us only so far.

Keeping in mind problems with official statistics, opinions of the Chinese bureaucracy are useful to verify basic trends. An internal report in 2001 listed 21 cities as experiencing significant political and economic problems stemming from lay-offs. These cities were grouped into regional categories: the "Northeast" (Harbin, Qiqihaer, Changchun, Jilin, Dalian, Shenyang, Anshan, Fushun, and Benxi), the "lower and middle Changjiang region" (Shanghai, Wuhan, and Zhuzhou), "Northern China" (Tianjin, Taiyuan, Datong, Luoyang, and Baotou), and "Western China" (Lanzhou, Xi'an, Chengdu, and Chongqing).[6]

[5] Beijing interviewees 1, 2, 3, 4, and 5; elite interviewee 1; Benxi interviewees 41, 42, 49, 50, and 51; Datong interviewees 1 and 2; Chongqing interviewees 34, 46, 47, 48, 49, 50, and 52; Harbin interviewees 6, 7, and 8; Luoyang interviewee 23; Zhengzhou interviewee 1.

[6] Guowuyuan Fazhan Yanjiu Zhongxin, "'Dongbei Xianxiang' de Xin Chulu" (A New Way Out of the "Northeast Phenomenon") (Document 60 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2001).

Map 1.1 Chinese regions with significant lay-offs

A State Council Ministry official with detailed knowledge of lay-offs also claimed that the central government had "come to the conclusion that we need to focus policy solutions on 13 provinces and special municipalities: Heilongjiang, Jilin, Liaoning, Tianjin, Henan, Shanxi, Shaanxi, Shanghai, Jiangsu, Hubei, Hunan, Chongqing, and Sichuan."[7]

Another internal report dismissed the popular but simplistic division of China into the "Three Great Belts" (Coastal, Central, and Western) and advocated the breakdown of all of China into eight regions for analytical purposes. Nine considerations allegedly had to be taken into account when drawing regional boundaries.[8] The authors then specified eight regions: Northeast, Northern Coast, Eastern Coast, Middle Yellow River, Middle Changjiang, Southwest, and Great Northwest.[9] I do not aim to divide all of China into great regions, nor am I interested in so many variables as this report's authors were, but the basic logic of my regional design is similar.

Four distinct regions experienced significant SOE lay-offs: the Northeast (Liaoning, Jilin, and Heilongjiang provinces), the Central Coast (Tianjin, Coastal Shandong,[10] Jiangsu, and Shanghai plus the city of Dalian), North-Central China (Shanxi, Shaanxi, Inland Shandong, and Henan provinces plus the cities of Lanzhou and Baotou), and the Upper Changjiang (Hubei, Hunan, Chongqing, and Sichuan). Even incomplete and distorted official statistics show regionally distinct patterns of jobs losses across these regions, as Figure 1.1 details.

Overall, the Northeast and Central Coast experienced job losses earliest, while Upper Changjiang workforces held relatively constant and North-Central firms actually took on workers. All regions saw sharp employment declines in 1997–8, in part due to a shift in Central policy, but these were also artificially exaggerated relative to other years by new requirements to report lay-offs and departures more accurately. After this key turning point, however, North-Central firms returned to increasing their workforces, while lay-offs in the Upper Changjiang slowed. Northeastern and Central Coast firms, however, continued to hemorrhage workers.

It is startling, given the differences in their regional political economies, to observe such strong similarities in aggregate job losses between the

[7] Beijing interviewee 2.

[8] Guowuyuan Fazhan Yanjiu Zhongxin, "Zhongguo (Dalu) Quyu Shehui Jingji Fazhan Tezheng Fenxi" (Analysis of the Features of Regional Social and Economic Development in [Mainland] China) (Document 193 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2002), pp. 4–5.

[9] Ibid., pp. 5–7.

[10] I define "Coastal Shandong" as the prefecture-level cities of Qingdao, Yantai, and Weihai. The rest of Shandong I define as "Inland Shandong."

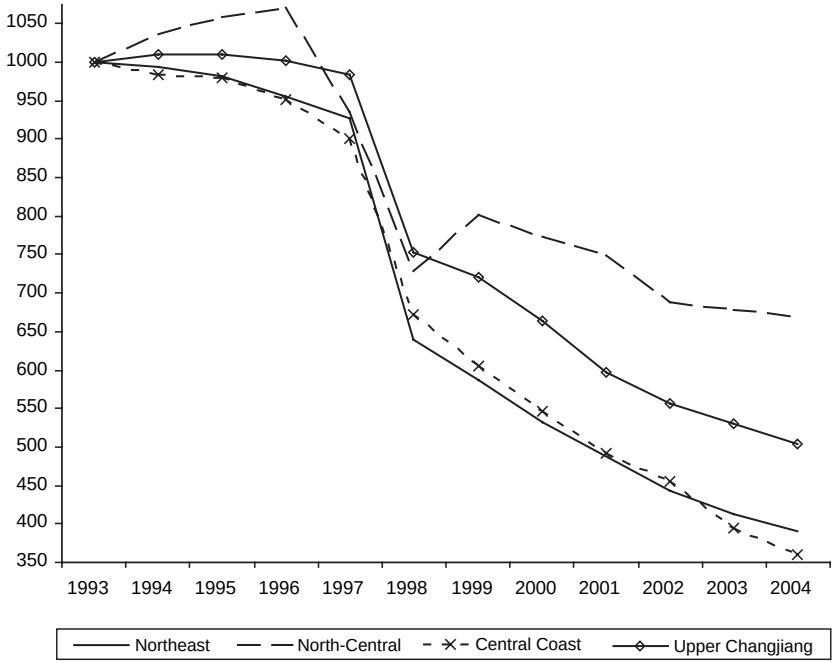

Figure 1.1 On-post employment in SOEs and urban collectives, 1993–2004 (1993 = 1000)
Sources: Zhongguo Laodong Tongji Nianjian, *Liaoning Tongji Nianjian*, *Shandong Tongji Nianjian*, 1994–2005 editions. NB: The North-Central region here does not include the cities of Baotou and Lanzhou.

Central Coast and Northeast. Though perhaps therefore tempting to group the Northeast and Central Coast together, the next chapter will show that jobs were lost in these regions as the result of sharply divergent processes. One final interesting observation is that the Central Coast actually surpassed the Northeast in its rate of job losses after 2002. This is likely due to efforts under the leadership of Hu Jintao and Wen Jiabao (who both came to power in 2002) to rein in lay-offs and address social dislocation in the Northeast. In the end, though, we cannot rely on official statistical data for much more than identifying or confirming broad regional patterns.

Historical legacies and the roots of regional political economy

Though legacies from even earlier periods still exerted some influence, industrialization across these regions occurred primarily during the

100-year period from 1880 to 1980. Each region had distinctive patterns of sectoral distribution of SOEs, timing and manner of industrialization, location of SOEs in particular types of cities, relative presence of market activity and commercial centers, transportation infrastructure, and historical relationship with the central government. Each region also experienced distinct processes of working class formation. Following Katznelson's four-dimensional definition,[11] it is possible to specify regionally specific processes of "structural proletarianization", patterns of social life, shared working class dispositions, and early class-based collective action or mobilization.

By the 1990s, each region had its own particular political economy and faced its own particular dilemmas regarding SOE labor reform and its effects. But before outlining aspects of contemporary regional political economy, it is useful to review its historical roots. Once the processes that have given rise to more proximate situations are understood, we can more easily and confidently proceed to analyze the latter and to score each region across important dimensions.

The Northeast was developed as an industrial base principally during the period of Japanese occupation between 1931 and 1945,[12] with an additional burst of large-scale industrialization on the Soviet model (and with Soviet aid, advisers, and technicians) during the first Five Year Plan between 1953 and 1957.[13] Even as early as 1918, government-supervised quasi-SOEs, known as *guanye*, operating under provincial government production quotas, dominated much of the economy in Fengtian (now Liaoning) under the warlord Zhang Zuolin and his civilian deputy Wang Yongjiang.[14] The principle sectors developed through 1957 were steel, railroad equipment, coal and ore mining, and petroleum.

[11] Ira Katznelson, "Working-Class Formation: Constructing Cases and Comparisons," in Katznelson and Aristide R. Zolberg, eds., *Working-Class Formation: Nineteenth-Century Patterns in Western Europe and the United States* (Princeton: Princeton University Press, 1986), pp. 14–21.

[12] Prasenjit Duara, *Sovereignty and Authenticity: Manchukuo and the East Asian Modern* (Lanham: Rowman & Littlefield, 2003), pp. 41–69; Kang Chao, *The Economic Development of Manchuria: The Rise of a Frontier Economy* (Ann Arbor: Michigan Papers in Chinese Studies 43, 1983); Kong Jingwei, *Dongbei Jingji Shi* (Economic History of the Northeast) (Chengdu: Sichuan Renmin Chubanshe, 1986); Ramon H. Myers, *The Japanese Economic Development of Manchuria: 1932–1945* (New York: Garland Publishing, 1982).

[13] Russell Smyth and Zhai Qingguo, "Economic Restructuring in China's Large and Medium-Sized State-Owned Enterprises: Evidence from Liaoning," *Journal of Contemporary China* 34/12 (2003), p. 177.

[14] Ronald Suleski, *Civil Government in Warlord China: Tradition, Modernization, and Manchuria* (New York: Peter Lang Publishing, 2002), pp. 51–2.

While rail infrastructure within the Northeast was relatively good, it was also always a borderland. It was never even fully under Chinese control until its Manchurian kings conquered the Ming Empire and established the Qing Dynasty in 1644. Then, under the twentieth-century warlords Zhang Zuolin and Zhang Xueliang, and later Japanese occupation, it remained a frontier that drew large numbers of migrants for its vast open lands and plentiful industrial jobs (though some were also forcibly conscripted from across Northern China).[15] Because it developed as a boom economy of militarist, colonial, and communist planning, between roughly 1920 and 1960, the Northeast never developed major commercial centers and the market was always marginal.

The Northeastern working class was structurally proletarianized into large heavy industrial firms in a militarized and state-led context. In this setting, workers were provided with all-encompassing social protection, first under the Japanese "golden rice bowl" and later the Chinese socialist "iron rice bowl."[16] Most who eventually became workers migrated to the Northeast from rural North-China – particularly the province of Shandong – fleeing famine, land shortage, or political instability. Combined with the growth of "company towns" throughout the region, the fact that migrants came from a patchwork of relatively homogeneous (especially linguistically homogeneous) settings to which they could not easily return led workers to form dense social networks and patterns of social life centered on the enterprise.

Perhaps for these reasons, Northeastern workers after 1949 often appeared particularly conservative. They nearly always sought to preserve their status rather than challenge it. Northeastern workers were also, of course, among the first the Chinese Communist Party (CCP) successfully mobilized (without any debacle such as occurred on the Central Coast) prior to 1949. This legacy, and ongoing class-based mobilization throughout the 1950s and 1960s, left a deep mark on the Northeastern working class.

The contrast between the Northeast and the Central Coast could hardly be starker. The Central Coast began rapidly industrializing in the

[15] Thomas R. Gottschang and Diana Lary, *Swallows and Settlers: The Great Migration from North China to Manchuria* (Ann Arbor: Center for Chinese Studies of the University of Michigan, 2000); Rana Mitter, *The Manchurian Myth: Nationalism, Resistance, and Collaboration in Modern China* (Berkeley: University of California Press, 2000), ch. 2; Ju Zhifen, "Labor Conscription in North China: 1941–1945," in Stephen MacKinnon, Diana Lary, and Ezra Vogel, eds., *China at War: Regions of China, 1937–1945* (Stanford: Stanford University Press, 2007), pp. 210–11, 218.

[16] On the "golden rice bowl" see Ying Zhu and Malcolm Warner, "An Emerging Model of Employment Relations in China: A Divergent Path from the Japanese?," *International Business Review* 9/3 (2000), pp. 345–61.

mid nineteenth century, largely through foreign direct investment from countries with concessions in its treaty ports.[17] It largely continued on a steady course throughout the twentieth. Every sector was represented, from steel, to automobiles, shipbuilding, textiles, precision parts, and jewelry. Central Coast factories, in Shanghai and Tianjin in particular, became *the* center of consumer manufacture and much of China's higher-technology and precision heavy industry during the 1950s and 1960s.[18] The Central Coast historically was always one of China's richest regions and contained many of the largest and most important centers of trade and commerce in the country.

Most workplaces in Central Coast cities during the period of working class formation, between roughly 1880 and 1940, were small shops controlled by local family businessmen or larger light industrial firms, often owned by foreign investors. There was almost no formal welfare system. Abusive practices, unsafe working conditions, child labor, and long shifts were commonplace. Workers came from various rural settings where different, mutually non-intelligible, dialects were often exclusively spoken. Relationships from the village persisted in the city to a much greater extent here than in the Northeast, with workers frequently remaining linked to their native place association or lineage hall.

Working class radicalism, often intertwined with incipient Chinese nationalism, was born and thrived on the Central Coast.[19] Workers there frequently challenged their status and rebelled against managers and the political system. The central coast saw the first significant attempts by the CCP to mobilize workers in the 1920s, though these ended in disaster. Most labor leaders were killed and most unions dismantled during the decade of Nationalist Party (Guomindang/Kuomintang or GMD/KMT) resurgence from 1927 to 1937. Later, Shanghai workers became famous as the most radically mobilized during the Cultural Revolution. Radical workers' organizations even seized control of the city and proclaimed the Shanghai People's Commune in 1967.[20]

[17] Austria-Hungary, Belgium, Brazil, Denmark, France, Germany, Italy, Japan, Mexico, the Netherlands, Norway, Peru, Portugal, Russia, Spain, Sweden, the United Kingdom, and the United States all enjoyed consular court jurisdiction over their nationals in China and were in involved in concessions and "international settlements."

[18] Gang Tian, *Shanghai's Role in the Economic Development of China: Reform of Foreign Trade and Investment* (Westport: Praeger, 1996), ch. 2; and Xiaowen Tian, *China's Regional Economic Disparities since 1978: Main Trends and Determinants* (Singapore: World Scientific and Singapore University Press, 1999), pp. 23–5.

[19] S. A. Smith, *Like Cattle and Horses: Nationalism and Labor in Shanghai, 1895–1927* (Durham, NC: Duke University Press, 2002).

[20] Hong Yung Lee, *The Politics of the Chinese Cultural Revolution: A Case Study* (Berkeley: University of California Press, 1978), pp. 142–50.

North-Central China's economy was largely dominated by coal-mining, as the region contained some of Asia's largest and richest deposits. It also became a center for manufacture of agricultural machinery (e.g. tractors and combines) and certain light industrial goods such as textiles and glass. While coal was mined in North-Central China as early as 1900, mines were greatly expanded during the 1950s. Most of the agricultural machinery and light industries were also established in the first decade after 1949.[21]

The role of the market was small and North-Central provinces were always among China's poorest.[22] But significant commercial centers had been present in the region since ancient times.[23] The North-Central region was also the crossroads of China. The city of Zhengzhou, for example, was the largest rail junction in China, and even smaller cities, like Datong, became important transport hubs.

The North-Central working class was proletarianized in state-owned textile mills, tractor factories, glassworks, or coal mines after 1949. Most workers were recruited from the areas where firms were set up or the surrounding countryside. The relatively small size of most firms meant that social life for workers was not completely centered on the work-place, the way it was, for example, in the Northeast. North-Central China, still one of China's poorest regions, and uniquely among the regions studied, was never the site of significant working class mobil-ization. Rather, labor was a relatively quiescent participant in the CCP's state-led program of development and industrialization.

Some of China's oldest major cities and commercial centers line the rivers and basins of the Upper Changjiang region. Industries there – mostly in defense-related sectors and textiles, but also in mining, steel, machine-building, and some light manufacture – were built in two rela-tively recent spurts. During the 1930s and 1940s, the KMT government moved its wartime capital, and many critical industries, to Chongqing

[21] Andrew Watson, Yang Xueyi, and Jiao Xingguo, "Shaanxi: the Search for Comparative Advantage," in Hans Hendrischke and Feng Chongyi, eds., *The Political Economy of China's Provinces: The Search for Comparative and Competitive Advantage* (London: Routledge, 1999), pp. 73–112; and David S. G. Goodman, "King Coal and Secretary Hu: Shanxi's Third Modernization," in ibid., pp. 211–48; Kenneth Pomeranz, *The Making of a Hinterland: State, Society, and Economy in Inland North China, 1853–1937* (Berkeley: University of California Press, 1993).

[22] By per capita GDP, Shanxi, Henan, and Shaanxi are among the poorest ten provinces. These aggregate figures include rural residents, however, who in these provinces are particularly disadvantaged due to the terrain, arid climate, and density of rural population.

[23] The city of Chang'an (now Xi'an) was a major commercial center from the Qin Dynasty (*c.* 220 BC) on, and became a commercial capital of Asia during the Tang Dynasty (tenth century AD). Other North-Central cities – e.g. Anyang, Datong, Luoyang, and Kaifeng – became important commercial centers during these same periods.

and the surrounding areas of Sichuan, Hunan, and Hubei. Major railroads were also constructed during this period, many with Wuhan as an important junction. This helped create an industrial corridor stretching roughly from Chongqing to Wuhan.

Then, again, the Upper Changjiang saw an industrial boom in the late 1960s and early 1970s. During this time it became the focus of the CCP's "Third Front" (*San Xian*) policy to build up defense-related industrial capacity shielded from attack by either the USA (by sea) or the USSR (overland). This followed a period of significant but less intensive development during the first Five Year Plan in the 1950s. Overall, these left the region with a mix of defense (and defense-related) and low-end light industrial sectors, located mainly in or near large cities, but with a small number of defense-linked plants in astoundingly inaccessible settings (such as in caves). All types of markets and informal trade have long flourished in the Upper Changjiang.

A significant portion of the early Upper Changjiang working class consisted of workers "imported," along with their factories, from other regions – usually the Northeast or Central Coast. This happened during both great bursts of industrialization under the Nationalists and during the Third Front. This fragmented labor in a manner not altogether unlike on the Central Coast. The fact that structural proletarianization occurred in such a punctuated fashion, and under military auspices in both cases, also distinguishes the Upper Changjiang working class. Where factories were built sometimes literally into the sides of remote mountains, social life was always rooted in the enterprise, perhaps even more firmly than in the Northeast. Where firms were established in or moved to urban districts of existing large cities (the much more common scenario), workers' social lives were diffuse in a manner similar to the Central Coast or some settings in North-Central China.

The importance of regional development patterns comes into shaper focus when sectors spanning several regions are examined. Coal-mining, for example, is often associated with the North-Central region – and Shanxi province in particular. The Datong mines, and other similar installations, however, became leading centers of coal extraction only after 1949, as beneficiaries of the CCP's rapid industrialization drive and vastly improved transportation infrastructure.[24] China's first modern mine was developed with British investment and supervision in a coastal town in Hebei province.[25] The Japanese developed China's largest

[24] Tim Wright, *Coal Mining in China's Economy and Society: 1895–1937* (Cambridge: Cambridge University Press, 1984), pp. 86–9.

[25] Ibid., pp. 77–8; Ellsworth C. Carlson, *The Kaiping Mines, 1877–1912*, 2nd edn. (Cambridge, MA: Harvard University Press, 1971).

pre-1949 mining complex at Fushun in Liaoning province. This was rapidly expanded during the 1930s as a major industrial base of the puppet state of Manzhouguo (Manchukuo).[26]

Mining eventually became a major industry across all the regions studied. But very different kinds of mines were built with different technologies, under the very different auspices of foreign direct investment, foreign military occupation, and communist extensive rapid development, over different time periods. Not only the characteristics of the mines themselves, but their roles in the wider political economy of their regions, also varied substantially. This is one example of why regional divisions can be more important than sectoral ones in disaggregating China's political economy.

Another example is the textile sector. Based almost exclusively in Shanghai for much of its early development, textile production spread out gradually during the pre-1949 period, first up the coast into Jiangsu and Shandong provinces and to Tianjin, then inland up the Changjiang River to Anhui, Hubei, Hunan, and Chongqing.[27] A large share of mills in Shanghai and Jiangsu were European-owned, while most mills in Tianjin were controlled by Japanese investors, and most of the mills in inland areas were Chinese-owned. They differed in technology, management, and their positions in supply chains and production processes.

After 1949, the CCP developed and expanded textile plants in cities close to cotton producing areas. This meant rapid growth in provinces such as Henan and Shaanxi, as well as additional expansion in Hunan and Hubei.[28] Mills across three different regions were developed in different places at different times. But they were also built by different people for different reasons using different technologies and management techniques. Again, though we can observe large textile sectors today in the Central Coast, Upper Changjiang, and North-Central political economies, not all textile mills are the same. Once again a large, widely present sector proved exceedingly heterogeneous and regionally differentiated, showcasing the salience of regional development patterns.

Dimensions of contemporary regional political economy

The next task is to specify which dimensions of contemporary political economy are most important. Five key dimensions arise from the

[26] Wright, *Coal Mining*, pp. 91–2.
[27] Kang Chao, *The Development of Cotton Textile Production in China* (Cambridge, MA: Harvard University Press, 1977), pp. 114, 126–8, 130–1.
[28] Ibid., pp. 251, 263–7.

historical patterns just discussed: (1) local state capacity; (2) the general business environment for SOEs; (3) working class society; (4) market opportunity; and (5) central–local relations. Local state capacity in this context revolves around fiscal capacity – particularly the ability of local governments to finance spending priorities rather than their ability to collect particular proportions of the taxes they are owed. SOEs' business environments were determined by how much competition they faced from non-state firms and by their general prospects for profitability. Market opportunity refers to both entrepreneurial and other non-state sector employment opportunities. Central–local relations refer to the degree of oversight, assistance, communication, and control from the center over city governments.

Working class society is a three-dimensional concept encompassing class identity (i.e. workers' view of themselves as members of a working class), the structure of workers' social ties, and popular perceptions of the Maoist past. All three are strongly rooted in the processes of working class formation described above. Physical legacies of industrialization, especially housing patterns, also help structure workers' social ties such that they either cut across enterprise boundaries or are concentrated within them. Table 1.1 shows how each region in the late 1990s and early 2000s scored along these 5 dimensions.

While other dimensions are readily comprehensible, local state capacity requires additional clarification. Fiscal capacity is a common measure of overall state capacity in the wider comparative politics field and has been shown to be particularly important in the Chinese context.[29] The fiscal landscape of Chinese central–local relations changed much in the wake of sweeping centralizing reforms enacted in 1994. These reforms centralized important revenue streams, while enhancing local fiscal autonomy in other areas.

Bargains were struck between the central government and provinces. The center took control of important taxes – especially the bulk of the value-added tax (VAT), excise taxes, and all taxes paid by oil companies, railroads, and financial and insurance institutions – and provinces were promised that they would not see their revenues decline below the 1993

[29] See, e.g., Youssef Cohen, Brian R Brown, and A. F. K. Organski, "The Paradoxical Nature of State Making: The Violent Creation of Order," *American Political Science Review* 75/4 (1981), pp. 901–10; Evan S. Lieberman, *Race and Regionalism in the Politics of Taxation in Brazil and South Africa* (Cambridge: Cambridge University Press, 2003); Shaoguang Wang, "The Rise of the Regions: Fiscal Reform and the Decline of Central State Capacity in China," in Andrew G. Walder, ed., *The Waning of the Communist State: Economic Origins of Political Decline in China and Hungary* (Berkeley: University of California Press, 1995), pp. 87–113; Shaoguang Wang, *The Chinese Economy in Crisis: State Capacity and Tax Reform* (Armonk: M. E. Sharpe, 2001).

Table 1.1. *Dimensions of regional political economy across five key regions of China*

Region	Local state capacity (especially fiscal capacity)	Business environment for SOEs	Market opportunity	Working class society	Pattern of central–local relations
Central Coast	Strong	Competitive (frequently very competitive) but often potentially profitable	Usually abundant	Weak class identity, social ties largely inter-firm, negative view of Maoist past	Close ties
Northeast	Weak	Non-competitive but broadly unprofitable	Usually scarce	Strong class identity, social ties largely intra-firm, positive view of Maoist past	Distant relationship
North-Central	Relatively weak	Moderately competitive, prospects for profitability depend on sector	Relatively scarce, but available	Moderately strong class identity, mixed structure of social ties, mixed views of Maoist past	Fraying ties
Upper Changjiang	Relatively weak	Moderately competitive, prospects for profitability depend on sector	Relatively scarce, but available	Moderately strong class identity, mixed structure of social ties, mixed views of Maoist past	Fraying ties
Provincial capitals[a]	Moderate to relatively strong	Moderately to very competitive, at least some prospects for profitability	Usually abundant	Relatively weak class identity, social ties largely inter-firm, mostly negative view of Maoist past	Moderately close to very close ties

[a] Provincial capitals, of course, are not a region in the true sense, though, as will be discussed below, they likely could be classified as one for many purposes.

base. Additionally, up to 30 percent of new VAT revenues would be transferred back to provinces.[30] This gave localities with abundant indigenous revenue streams considerably enhanced fiscal autonomy. This was especially true for cities that could collect significant revenue from taxes on profits of SOEs and foreign-invested firms, as well as real-estate and land-use taxes.

Overall, localities that had generated substantial revenue for the center acquired control over a greater share of their own resources (in a manner that certain provinces and municipalities, like Guangdong and Shanghai, had enjoyed for between six and fifteen years before the reforms).[31] But most local governments became sorely dependent on fiscal transfers from above, which economists at the International Monetary Fund and China's State Council (i.e. Cabinet) highlighted in 2002 as "sharply under-funded since their inception."[32] Because these transfers flowed first from the central government to provincial governments, and then from provincial governments to localities,[33] the needs of provincial capitals were often met first, before funding was distributed further down the chain. This sometimes left smaller cities with inadequate funds to complete projects, meet obligations, or even pay full wages to city employees.[34]

Most fiscally self-sufficient cities were located on the Central Coast, while those across other regions were dependent on transfers. Many Central Coast cities, in fact, remained large net contributors to the central state, remitting more to Beijing than they received in return.[35] Though provincial capitals could often secure necessary funds, smaller

[30] Shaoguang Wang, "China's 1997 Fiscal Reform: An Initial Assessment," *Asian Survey* 37/9 (1997), pp. 801–17; Ehtisham Ahmad, Li Keping, Thomas Richardson, and Raju Singh, "Recentralization in China?," *IMF Working Paper*, WP/02/168 (October 2002), pp. 6–15.

[31] Lin Zhimin, "Reform and Shanghai: Changing Central–Local Fiscal Relations," in Jia Hao and Lin, eds., *Changing Central–Local Relations in China: Reform and State Capacity* (Boulder, CO: Westview Press, 1994), pp. 250–1.

[32] Ahmad, Li, Richardson, and Singh, "Recentralization in China?," p. 13.

[33] Guowuyuan Fazhan Yanjiu Zhongxin, "Zhongguo Zhengfujian Caizheng Zhifu Zhidu Gaige de Jianjinxing yu Tuijin Zhidu Jianshe de Jianyi" (China's Intergovernmental Financial Transfer Payment System Reform's Gradualism and Proposals for the Advancement of System Construction) (Document 16 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2002); Roy Bahl, "Central–Local Fiscal Relations: The Revenue Side," in Brean, ed., *Taxation in Modern China* (London: Routledge: 1998), pp. 125–50; Beijing interviewees 1, 4, 5, 7, and 10; Harbin interviewees 1 and 2; Zhengzhou interviewee 2.

[34] Benxi interviewees 50, 51, 52, 54, and 55; Datong interviewees 1, 2, 3, and 4; Luoyang interviewees 4 and 26; Harbin interviewees 1 and 2; Zhengzhou interviewee 2.

[35] Beijing interviewees 2 and 8; Shanghai interviewees 1, 2, 3, and 5. On how Shanghai, in particular, was a huge net fiscal contributor to the central government before 1988, see Lin, "Reform and Shanghai," pp. 239–50.

Table 1.2. *Dimensions of regional political economy as factors explaining key regionally differentiated outcomes*

→	Factors				
Regionally differentiated outcome	**Local state capacity (especially fiscal capacity)**	**Business environment for SOEs**	**Market opportunity**	**Working class society**	**Pattern of central–local relations**
Pattern of lay-offs	Not a significant factor	Primary factor	Not a significant factor	Not a significant factor	Primary factor
State response and welfare assistance	Primary factor	Primary factor	Secondary factor	Not a significant factor	Secondary factor
Worker coping strategies and success or failure	Secondary factor	Not a significant factor	Primary factor	Primary factor	Not a significant factor
Workers' contention	Primary factor	Secondary factor	Secondary factor	Primary factor	Primary factor

cities in the North-Central, Upper Changjiang, and Northeastern regions frequently lost out.

Indeed, central officials from several bureaucratic entities acknowledged that internal reports from 2001 and 2002 found that nearly all prefecture-level cities in these regions were facing fiscal crises.[36] Western scholars also detected severe fiscal crises at "subprovincial administrative levels" and "real harm" to localities in the aftermath of the 1994 fiscal reforms.[37] The severity of these crises, however, was not uniform, and cities of the North-Central and Upper Changjiang regions appeared to face less acute shortages than some in the Northeast did.

The five dimensions of regional political economy influenced outcomes related to lay-offs in several specific ways, as described in Table 1.2. Different SOE business environments and patterns of central–local relations produced divergent rates of lay-offs in different time periods across the four regions. Local state capacity and SOE business environments, further mediated by market opportunity and central–local relations, facilitated different types of social protection initiatives and

[36] Beijing interviewees 1, 2, 4, 5, 6, 8, 9, and 11.
[37] Bernstein and Lü, *Taxation without Representation*, p. 107.

other policy responses in different places. Market opportunity and the structure of workers' social ties helped decide what strategies workers employed to cope with their unemployment and the degree to which they were successful, while local state capacity determined the precise contours of the challenges they had to overcome. Finally, workers' class identity and social ties (sometimes mediated by market opportunity and SOE business environments) shaped the grievances, claims, and frames mobilized in collective action, while central–local relations and local state capacity conditioned how the authorities responded and what the ultimate outcomes of contention were likely to be.

Cities as units of observation

Though this study is a comparison of subnational regions in China, intensive examination of large regions was not practical. Smaller cases, representative of larger regions, had to be selected. The cases I selected were individual cities. This constitutes a "typical case study" approach to the comparative analysis of several subgroups within a larger population.[38] Most important is selecting cases that are representative of the larger subgroups for which they are meant to stand in.

But how does one determine the "representativeness" of a city within a regional political economy? We must start with the legacies of earlier industrialization and development – sectoral distribution of SOEs, timing and manner of industrialization, location of SOEs, relative presence of market activity and commercial centers, transportation infrastructure, and historical relationship with the central government – which produced differentiated contemporary regional political economies. Cities must then be selected whose scores on these key criteria match those for the region at large. Cities' scores on key dimensions of contemporary regional political economy, from central–local relations to the business environment for SOEs, must also not be regional outliers.

As principal research sites, I selected cities that were representative of their regions. In the Northeast, the city of Benxi, in Liaoning province, was selected. In the Central Coast and Upper Changjiang regions, Shanghai and Chongqing, respectively, were studied. In North-Central China, I selected the two cities of Datong and Luoyang, both representative of the region, so as to provide a rough test of the internal coherence of the regions as I define them.

[38] John Gerring, *Social Science Methodology: A Critical Framework* (Cambridge: Cambridge University Press, 2001), pp. 218–19.

Details of principal research sites

Benxi

The prefecture-level city of Benxi, midway between Liaoning's provincial capital of Shenyang and the North Korean border city of Dandong, was founded in 1915 as a center of metallurgical industry and heavy manufacture. Benxi later grew into a sizable city, with a total population in 2002 of 1,566,000, of whom just over 1 million were classified as "non-agricultural." Surrounded by rich iron ore and coal deposits, it was a favored location for the construction of heavy industry – mainly steelmaking and various types of machine tool manufacture – during the Manchukuo period of Japanese occupation in the 1930s.

At the close of the twentieth century, Benxi's economy was still dominated by the state-owned Benxi Iron and Steel Company's (a.k.a. *Bengang*) massive steelworks and an extensive set of coal and iron ore mines. Benxi was almost a Chinese Magnitogorsk,[39] resembling that famous Russian heavy industrial company town in many respects. Dominated by a gargantuan steel works, built as a modern wonder in the 1930s, Benxi had a history as the darling of planners and later the neglected stepchild of reform in China. In much the same way, Magnitogorsk's luster waxed and waned with the rise and fall of Stalinism and *perestroika* in the Soviet Union.

According to city officials, as much as 70 percent of Benxi's workforce was laid off or otherwise unemployed as of 2001. Using official statistics, it is possible to estimate that Benxi lost at least 269,000 state sector jobs between 1993 and 2002, more than 51 percent of the 1993 total.[40] Formal policies intended to assist laid-off workers were not implemented with any regularity, usually for lack of funds. Informal strategies used by workers and managers to promote re-employment were varied and numerous, with mixed results. Street protests and collective action were nearly daily occurrences – even sometimes making the morning traffic report on a local radio station.

Shanghai

Shanghai had long been China's largest city (by population in its urban districts) and a provincial-level municipality within the People's

[39] On Magnitogorsk, see Stephen Kotkin, *Steeltown, USSR: Soviet Society in the Gorbachev Era* (Berkeley: University of California Press, 1991).
[40] *Liaoning Tongji Nianjian*, 1994 and 2003 editions.

Republic. In 2002, its total population was 13,340,000, of whom over 10,000,000 were classified as "non-agricultural." Prior to the opium wars of the mid nineteenth century, Shanghai was not a major city, but it expanded rapidly through international trade, investment, and settlement after 1842. Between 1842 and 1937, Shanghai was China's undisputed commercial capital and main entrepot, drawing a tremendous share of China's total foreign investment. It was also, not surprisingly, the first city in China to develop most modern industries, and among the earliest to provide residents with electric power (starting in 1890) and a telephone service (beginning in 1898).[41]

After 1949, Shanghai maintained its position as the largest and most important industrial city in China. With an impressive diversity of sectors and products, many have perceived it as having been a "workshop to the rest of China" or a "cash cow" for central planners, who extracted profits but returned little to the city. During the reform period, Shanghai surged into the lead as China's gateway to the world at the forefront of economic restructuring.

The city had significant lay-offs: official statistics indicate that in 2000 one-third of SOE and urban collective workers were "not on post" and that the city lost more than 2 million jobs between 1993 and 2000.[42] In response, Shanghai pioneered China's re-employment project and had greater success than almost any other city in securing workers' re-employment and welfare. Informal strategies were deployed in Shanghai as well, but in tandem with, rather than in place of, official schemes. Contentious action by laid-off workers in Shanghai was quite rare, but did occur.

Chongqing

The Chongqing provincial-level municipality is officially the world's largest city, with a total 2002 population of 31,138,000 – though only about 7,200,000 were classified as "non-agricultural" (and this group included residents of areas far from Chongqing's urban core that had previously been separate cities, such as Fuling). Always a major city within Sichuan and inland Southern China, Chongqing was catapulted to much greater importance upon being designated the provisional wartime capital of China by the Nationalist (KMT/GMD) government. It served in this role from 1940 to 1946. Many industrial and military

[41] Zhu Bangxing, Hu Linge, and Yu Sheng, *Shanghai Chanye yu Shanghai Zhigong* (Shanghai Industries and Shanghai Workers) (Shanghai: Shanghai Renmin Chubanshe, 1984), pp. 211, 535.

[42] *Zhongguo Laodong Tongji Nianjian*.

installations had already been moved from the Central Coast to Chongqing between 1937 and 1940 to escape capture by advancing Japanese forces.

After 1949, Chongqing continued to be one of the largest and most important cities in the region, playing a particularly important role as a hub of Third Front industrialization in the late 1960s and early 1970s. In the late 1990s, it found itself at the center of a massive central government campaign to "develop the west" (*xibu da kaifa*),[43] as well as the site of most of the Three Gorges Dam complex. All these campaigns and construction projects brought massive amounts of state investment, making it perhaps slightly atypical of its region.

In 1997, Chongqing was separated from Sichuan province and given status as a special municipality. It was hard-hit by lay-offs – by official statistics, Chongqing lost roughly 1,370,000 state sector jobs between 1993 and 2002, about 48 percent of the 1993 total.[44] Despite employment difficulties, it did not experience as much social instability as Benxi or other Northeastern cities. Official policies appeared to be implemented more thoroughly than in Benxi, but Chongqing was also a center for the informal strategies discussed in Chapters 3 and 4. There were sporadic serious incidents of workers' collective action in Chongqing. These occurred much more frequently than in Shanghai, but not as often as in Benxi. Chongqing was notable, however, for the frequency with which workers' protests seemed to turn violent.

Datong

The prefecture-level city of Datong was a center of coal-mining and a railway junction. It was also an ancient city and former Chinese capital with a 2002 total population of 2,927,000, of whom nearly 1,270,000 were counted as "non-agricultural." In addition to being the largest producer of coal in China, Datong was also home to other sizable SOEs such as a brewery, agricultural machinery factories, and pharmaceutical plants.

Official statistics indicate that more than 185,000 jobs were lost between 1993 and 2002 (roughly 27 percent of the 1993 total).[45]

[43] On this campaign, see Qunjian Tian, "China Develops its West: Motivation, Strategy, and Prospect," *Journal of Contemporary China* 13/41 (2004), pp. 611–36; Victor Shih, "Development, the Second Time Around: The Political Logic of Developing Western China," *Journal of East Asian Studies* 4/3 (2004), pp. 427–51; and several less useful articles in *the China Quarterly* special issue on the subject, 178 (2004).

[44] *Chongqing Tongji Nianjian 2004* (Beijing: Zhongguo Tongji Chubanshe, 2004), p. 65.

[45] *Shanxi Tongji Nianjian*.

Though certainly significantly affected by lay-offs, certain events – notably a government drive to shut down illegal rural coal mines that had undersold state-owned mines – helped slow Datong's state sector retrenchment. After losing jobs in Datong's SOEs, workers faced a difficult labor market, but one in which numerous informal opportunities existed, despite limited implementation of formal programs. There were protests and contentious incidents in Datong about as frequently as in Chongqing; they happened seemingly much more rarely there than in Benxi, but clearly more frequently than in Shanghai. Unlike Chongqing, however, Datong does not seem to have experienced many violent incidents.

Luoyang

The prefecture-level city of Luoyang is also an ancient city, transport hub, and center of light industrial manufacture. In 2002, the total population was 6,333,000, of whom about 1,600,000 were recorded as "non-agricultural." Luoyang also had significant coal deposits and sizable mines. Its economy was somewhat more diversified than Datong's, with larger sectors in textiles and light manufacture. The city was home to China's most famous tractor factory and a very large glassworks, for example, as well as several textile mills.

Official numbers show that Luoyang lost more than 114,000 SOE and urban collective sector jobs between 1993 and 2002, more than 17 percent of the 1993 total.[46] In most respects, labor reform in Luoyang unfolded in a remarkably similar way as in Datong. Official policies were of limited effect, but numerous informal opportunities existed in the market. Popular contention seemed to occur with roughly the same frequency and intensity as in Datong as well.

The provincial capitals hypothesis

Chinese political and social life is frequently viewed as extremely hierarchical and bureaucratic. This is true in both the popular imagination and the scholarly literature. Some of my interviewees also suggested that aspects of political economy differed, independently of region, as one moved up or down China's administrative ladder. Like Midwestern American marketing centers in the late nineteenth century, such as Chicago and St. Louis,[47] the capital cities of Chinese provinces

[46] *Henan Tongji Nianjian*.
[47] Bensel, *The Political Economy of American Industrialization*, pp. 225–7.

constituted important centers of political control, economic exchange, and social interaction. They displayed distinct features that, I contend, separated them from their respective regional political economies.

More than just transport and trading hubs, provincial capitals were nodes of political power and conduits to the central state. They had far more clout politically and many more claims on economic resources than most other cities in their provinces. Just as Sacramento, Albany, and Austin are highly atypical of medium-sized cities in the Central Valley of California, the Hudson Valley of New York, or the Central Texas Hill Country, cities like Changchun, Xi'an, and Chengdu are likely atypical of China's Northeastern, North-Central, and Upper Changjiang regional political economies. It would thus be unwise to rely exclusively on provincial capitals to stand in for their regions as units of observation.

I therefore did not select provincial capitals as primary fieldwork sites. I did, however, complete less in-depth city case studies of 3 provincial capitals – Harbin (Heilongjiang), Shenyang (Liaoning), and Zhengzhou (Henan). These were spread between the Northeast and North-Central regional political economies. Based on my research and the work of other scholars, I hypothesize that Chinese provincial capitals constitute a distinct political economy of their own. They appear in many ways more similar to one another than to other cities in their respective regions. They perhaps could even be treated as a fifth region in my research design. Further study, beyond the scope of this book, would be required to test this hypothesis. But I selected cases assuming that the differences between provincial capitals and other cities are likely important.

Conclusion

Significant variation in a number of labor reform outcomes has roots in regional political economy. In preparation for the comparative analysis to follow, this chapter has undertaken five large tasks. First, the relevant regions were defined. Second, the historical roots of each region's political economy were outlined. Third, the salient dimensions of each region's contemporary political economy were specified and each region scored across them. Fourth, an argument was presented for using city case studies to undertake regional comparative analysis. Fifth and finally, my selection of five cities for in-depth analysis was explained and basic information about the five cities was presented.

With the foundation thus laid, the following chapters address several substantive questions. First among these must necessarily be to explain the different patterns of lay-offs observed across the four regions. And this is the subject to which Chapter 2 turns.

2 The roots of unemployment and the political economy of lay-offs

Introduction

What could cause state firms in a still nominally socialist economy to lay off large portions of the workforce? At least three processes have been suggested: privatization, liberalization, and changing of norms. Privatization entails the definition and enforcement of some type of property rights over SOEs that impose costs on individuals or entities that come to own them. These costs, which had been masked under the plan, force new market owners to take action – such as laying off workers – to stem losses.[1]

Liberalization as defined here consists of allowing the market to set relative prices. One common facet of liberalization is the opening of competition in a market arena. Even though SOEs might remain under bureaucratic control, if they are forced to compete with market firms they must take on various attributes of these competitors, including in the field of labor relations.[2] Finally, shifting norms among governing elites can push firms to behave differently even if formal institutions with direct bearing on management decisions remain largely in place.[3]

All of these usually point in some way to a hardening of SOE budget constraints. No longer confident in subsidies from above, state firms cut workers as a way of trimming excessive costs that were hurting their bottom lines. I suggest that two aspects of regional political economy are likely behind most lay-offs. As business environments worsened, firms were less and less able to retain workers. As central–local ties weakened,

[1] See, e.g., Edward S. Steinfeld, *Forging Reform in China: The Fate of State-Owned Industry* (Cambridge: Cambridge University Press, 1998), though Steinfeld is critical of orthodox versions of the perspective.

[2] See, e.g., Mary E. Gallagher, *Contagious Capitalism: Globalization and the Politics of Labor in China* (Princeton: Princeton University Press, 2005).

[3] Edward S. Steinfeld, "Market Visions: The Interplay of Ideas and Institutions in Chinese Financial Restructuring," *Political Studies* 52/4 (2004), pp. 643–63; Margaret M. Pearson, "The Business of Governing China: Institutions and Norms of the Emerging Regulatory State," *World Politics* 57/2 (2005), pp. 296–322.

higher levels of governments were increasingly less forthcoming with subsidies and ever more ready to impose austerity plans.

Deterioration of SOE business environments and central–local relations produced waves of lay-offs throughout China. But the timing of these changes and the causal processes that created them diverged sharply across regions. Declining profitability and spiraling costs led Northeastern firms to begin laying off workers in the 1980s. Sector-specific problems in the business environments of some North-Central and Upper Changjiang SOEs led them to lay off workers in the early and mid 1990s, even as many enterprises in other sectors in those same regions added new personnel. The Central Coast and provincial capitals were largely spared significant lay-offs until after the fifteenth Party Congress in 1997, when the central state imposed a new cost-cutting policy on SOEs in an effort to force them to adapt to what it perceived as new competition at home and abroad.

This chapter shows that most broad theories of post-socialist reform were at best uncomfortable fits for SOE labor reform. China has often been viewed as a model of gradualist success in post-socialist economic reform, contrasted with the Soviet Union's more painful and rapid restructuring.[4] Others have argued that China in the early years of the twenty-first century made consistent, if fitful, progress toward building a regulatory state. Still others saw SOEs morphing into profit-maximizing firms in the face of increased competition and interaction with foreign-invested firms.[5] All these arguments assume either that SOEs increasingly resembled ordinary firms or that the Chinese state came to play a new supporting role in building market institutions. Neither assumption consistently held true across the waves of lay-offs SOEs experienced between the late 1980s and 2008. In no region did simple hardening of budget constraints, meaningful privatization, or a coherent agenda of either gradualism or shock therapy drive decisions to let SOE workers go. Rather, lay-offs occurred as punctuated lurches in regionally differentiated environments of considerable uncertainty and dissonance.

Firms, markets, and lay-offs

The Chinese Ministry of Labor and Social Security offered an official explanation for SOE lay-offs. They allegedly resulted from (1) a long-term

[4] For instance by Peter Nolan, *China's Rise, Russia's Fall: Politics, Economics and Planning in the Transition from Stalinism* (Basingstoke: Macmillan, 1995).

[5] Pearson, "The Business of Governing China"; Dali L. Yang, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford: Stanford University Press, 2004); Gallagher, *Contagious Capitalism*.

over-supply of labor in China; (2) the job allocation system under the planned economy; (3) industrial over-capacity and duplicate capacity; (4) deep contradictions in the system of enterprise management; and (5) inevitable trends of scientific, technological, and economic progress.[6] Job losses were framed as an unavoidable and temporary, if unfortunate, by-product of China's transition from plan to market, without which no progress could occur. Regrettably, this kitchen sink catalogue of the reasons behind lay-offs does not get us very far.

A more parsimonious argument held that the dependence of SOEs on soft budget constraints and administratively distorted relative prices, fostered under the planned economy, was a sufficient cause of lay-offs in a marketizing China.[7] Underpinning this is the notion that socialist firms, knowing they can rely on government subsidies to cover losses or shortfalls, face soft budget constraints; while market economies, where no such subsidies are generally forthcoming, create hard budget constraints for firms.[8] In China, therefore, as markets formed and budgets hardened, excess workers were trimmed from payrolls bloated over decades during which the "rational striving for profit" was sublimated to the command imperatives of full employment and politicized production targets. As Yongshun Cai claimed, "Given the budget constraints, lay-offs were perhaps the only way to reduce the cost of operations for loss-making SOEs."[9] This may be an accurate depiction of one aspect of Northeastern SOEs' struggles, but the overall picture was far more complex.

Moreover, SOE budgets were never truly hardened in key respects. As one central leader explained, "The very concept of budget constraint is not relevant to the analysis of Chinese SOEs. Chinese SOEs are political organizations, rather than economic organizations. None of the reforms

[6] www.lm.gov.cn/old/gb/content/2002-05/20/content_1387.htm (accessed September 23, 2004).

[7] Justin Yifu Lin and Guofu Tan, "Policy Burdens, Accountability, and the Soft Budget Constraint," *American Economic Review* 89/2 (1999), pp. 426–31.

[8] Janos Kornai, "The Soft Budget Constraint," *Kyklos* 39/1 (1986), pp. 3–30; later also discussed in *The Socialist System: The Political Economy of Communism* (Princeton: Princeton University Press, 1992), pp. 140–5. Janos Kornai, Eric Maskin, and Gerard Roland, "Understanding the Soft Budget Constraint," *Journal of Economic Literature* 41/4 (2003), pp. 1097–8, 1105–6. Kornai himself has repeatedly qualified this dichotomy, and many other scholars have questioned whether the division between soft socialist budgets and hard capitalist ones makes sense at all. One of the most eloquent examples is Zhiyuan Cui, "Can Privatization Solve the Problems of Soft Budget Constraints?," in Vedat Milor, ed., *Changing Political Economies: Privatization in Post-Communist and Reforming Communist States* (Boulder, CO: Lynne Reinner, 1994), pp. 213–27.

[9] Yongshun Cai, *State and Laid-off Workers in Reform China: The Silence and Collective Action of the Retrenched* (Routledge: Abingdon, 2006), p. 15.

have changed this. They continue to operate under the principle of 'serve the party' (*wei dang fuwu*). If you want to understand how anything happens in SOEs (whether lay-offs or anything else), you must understand that they have never behaved, and do not now behave, like capitalist firms."[10] As bureaucratic components of a socialist planned economy that lacked either the institutional structure of firms or any non-politicized system of accountability, SOEs never faced sufficiently hard budget constraints to induce market-responsive behavior.

Even private companies operating in China's institutional environment at the turn of the twenty-first century failed to act as genuinely market-rational firms. Yi-min Lin demonstrated that Chinese firms often acted in ways that did not appear to enhance their market efficiency or advantage because, "under the shadow of particularistic state action, both the expansion of markets and the distribution of competitive advantages and disadvantages among firms hinge greatly on *ad hoc* decisions and actions at various loci of state authority."[11] Firms did not fail to act rationally, but market structures in the Chinese context were unstable and opaque, and derived their existence and contour largely from particularistic state action. In such an environment, no firm could behave in a purely market-rational manner. Even private Chinese firms were forced to respond to myriad non-market incentives.

The parsimony and market optimism of extant models are seductive, but they are ultimately unsatisfying. Though some lay-offs were certainly necessary in China's transition from plan to market, SOE managers often reduced their workforces in response to either regional or sector-specific changes in business environments or as a way to fulfill demands from higher levels (preserving their access to rents and subsidies). Rather than a monocausal tale of hardening budgets, we find a meandering, and still unfinished, journey of negotiation, experimentation, and occasional desperation over twenty-five years. The remainder of this chapter traces this journey across major regions and time periods.

The 1980s

For most of China, the 1980s were characterized by "intensive growth" in agriculture and "extensive growth" in consumer-oriented industries. Agriculture improved the efficiency of already cultivated land, while new capacity boosted previously deficient production of consumer goods.

[10] Elite interviewee 1.
[11] Yi-min Lin, *Between Politics and Markets: Firms, Competition, and Institutional Change in Post-Mao China* (Cambridge: Cambridge University Press, 2001), p. 96.

The institutional framework put in place by the CCP in the years after 1978 led to generally increasing profits for SOEs operating under the "dual track system" – which permitted the sale on a commercial basis of anything firms produced in excess of their plan quotas – and in the absence of any comprehensive taxation scheme.[12]

While most of China prospered, the Northeast struggled with dramatic employment and production problems. Early stage reform transformed the very endowments and development processes that had attracted colonial armies and Communist planners into liabilities. While the Northeast's charismatic and militarized industrialization drives received broad acclaim from the 1950s to the 1970s,[13] a regionally specific deterioration of its business environment for SOEs and a marked erosion of central–local ties occurred during the 1980s.[14]

Imperial Japan coveted the Northeast, with its large fertile plains, as a base for equipping its vast armies and feeding its booming cities.[15] It became the "bread basket" of China in the years after 1949 and the focus of the CCP's early Soviet-style industrialization drives, through to the end of the first Five Year Plan in 1957. Most of all, the Northeast became a model for successful collectivization of agriculture during the Great Leap Forward (1958–62). Then and after, economies of scale, unachievable for crops such as wet field rice, fruits or many vegetables, were reached for the Northeastern regional staples of corn (maize), sorghum, wheat, millet, and dry field rice.

So great were collectivized agriculture's advantages that many Northeastern farmers, commune leaders, and provincial officials resisted – and in Heilongjiang Province vehemently refused to implement – decollectivization in the early 1980s. Though it was the first major reform initiative Deng Xiaoping launched after 1978, many in the region fought long and hard to avoid lower returns to labor and capital

[12] For more on the dual track system and how some firms took advantage of it, see Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993); and Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993* (Cambridge: Cambridge University Press, 1996).

[13] On the details of these endowments and the history of these processes, see Kong Jingwei, *Dongbei Jingji Shi* (Chengdu: Sichuan Renmin Chubanshe, 1986), especially pp. 151–64, 193–215, 244–75, 457–83. As late as the 1970s, Chinese firms and citizens were exhorted to emulate the successes and achievements of Northeastern SOEs such as the Daqing oil fields.

[14] Beijing interviewees 6 and 12.

[15] Kong, *Dongbei Jingji Shi*, pp. 334–40, 255–7. Kong also stressed the attractiveness of iron ore and coal deposits to the Japanese (pp. 335–8). Even before the occupation, the region experienced phenomenal growth in grain and soybean cultivation, processing, and export: Rana Mitter, *The Manchurian Myth: Nationalism, Resistance, and Collaboration in Modern China* (Berkeley: University of California Press, 2000), pp. 22–4, 66–8.

under the household responsibility system.[16] The three Northeastern provinces were slowest in the country to implement decollectivization and officially claimed widespread (perhaps exaggerated) use of household contracting in agriculture only in late 1983 (many other areas had adopted it in 1981).[17] Despite the temptation to assume that decollectivization brought benefits to all farmers and localities (as it clearly did for most), places where economies of scale or mechanization had been key to successful collective farming were clear losers (at least in relative terms).[18] Though such places were spread across all of China,[19] the Northeast as a region suffered some of the greatest losses.

As Chinese rural incomes expanded across the country, their increase in the Northeast was less sustained and consistent, where they sometimes stagnated or even declined. Figure 2.1 illustrates this regional gap. Though rural production has always played second fiddle to urban industry in the People's Republic, the fate of SOEs was not entirely divorced from that of the countryside, as rural surpluses provided investment capital for industry. As one Chinese scholar found in 1986, the Northeast's relative (and occasionally absolute) losses from decollectivization hampered local financing of new industrial development or reform of ailing SOEs well into the 1980s.[20]

Below average economic expansion in its rural areas, combined with the decentralization of revenue and spending in the 1980s, helped put the Northeast at a distinct disadvantage. Unlike coastal cities such as Tianjin and Shanghai, the Northeast had few consumer industries prior to reform. Unlike North-Central China or the Upper Changjiang, it also had few "dual-use" enterprises (producing goods like textiles or agricultural machinery, valuable both within the plan and on the growing market). Across the Northeast, old-line plants in sectors such as steel, coal, heavy machinery, and oil predominated. Such firms did not produce

[16] Elite interviewee 5; Harbin interviewees 1, 2, and 10.

[17] David Zweig, "Context and Content in Policy Implementation: Household Contracts and Decollectivization, 1977–1983," in David M. Lampton, ed., *Policy Implementation in Post-Mao China* (Berkeley, University of California Press, 1987), pp. 273–4.

[18] William Hinton, *The Privatization of China: The Great Reversal* (London: Earthscan Publications, 1991); Guang H. Wan and Enjiang Chen, "A Micro-Empirical Analysis of Land Fragmentation and Scale Economies in Rural China," in Yongzhen Yang and Weiming Tian, eds., *China's Agriculture at the Crossroads* (London: Macmillan, 2000), pp. 131–47.

[19] David Zweig, *Freeing China's Farmers: Rural Restructuring in the Reform Era* (Armonk: M. E. Sharpe, 1997), p. 96.

[20] Luo Xiaoping, "Rural Reform and the Rise of Localism," in Jia Hao and Lin Zhimin, eds., *Changing Central–Local Relations in China: Reform and State Capacity* (Boulder, CO: Westview Press, 1994), p. 118.

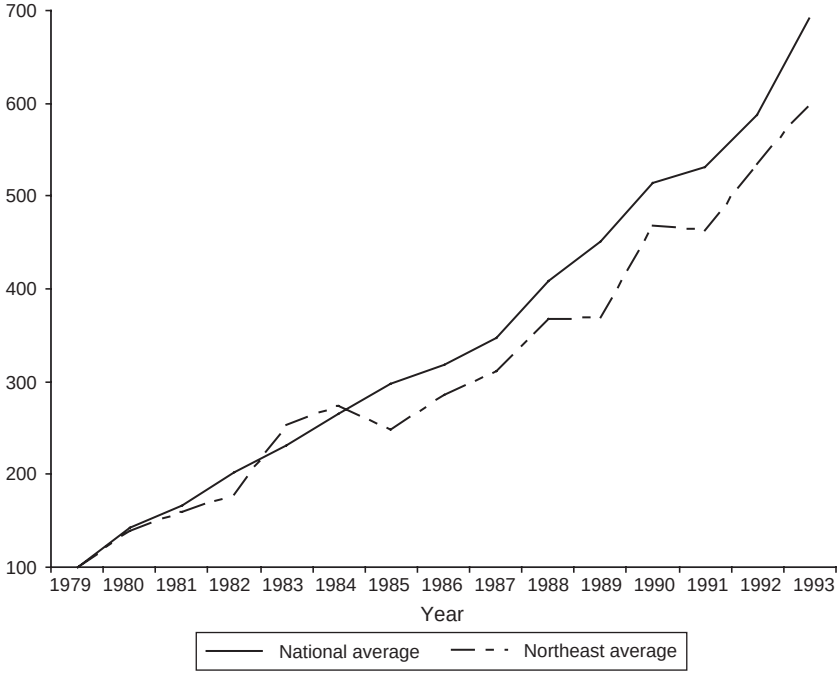

Figure 2.1 Per capita rural incomes 1979–1993 (1979 = 100)
Source: Zhongguo Tongji Nianjian, various years.

many goods demanded outside the plan. They also most often could not be reconfigured to manufacture different products.

In an environment where pigs were suddenly more valuable than pig iron had ever been, the Northeast's Stalinist behemoths faced long odds and high costs if they were even to attempt to reap the benefits of the market or compensate for the plan's reduced guidance and the central government's reduced assistance. Lackluster local revenues made this impossible in many cases. In a drastically worsening business environment, with ties to Beijing fraying and central subsidies drying up, many Northeastern SOEs had difficulties balancing their books, fell into wage and pension arrears, and were forced to lay off workers. Most lay-offs were concealed in official data and reports, and nearly all of them occurred under a variety of informal arrangements.

A World Bank study of Chinese industrial SOEs provides examples of two large firms in Liaoning facing just these types of problems in the 1980s. Anshan Iron and Steel (often known as *Angang*) was plagued with administrative problems, an over-reliance on the plan and an

inability to take advantage of potential business opportunities. Even though lay-offs were not yet officially permitted and the firm had long been one of the few most favored by the Chinese government, it was forced to drastically reduce its workforce.[21] The Shenyang Smelter in the early 1980s was already found to be "struggling to survive and operate from day to day," overwhelmed with "physical, technical, and administrative problems."[22] In addition to reducing their workforces through attrition, both shunted significant numbers of workers out of the mainline plant into subsidiary collective sector enterprises and off the official SOE payroll.

The waves of lay-offs in the Northeast during this period do not appear to have broken through very much into other regions. For instance, firms elsewhere studied by the World Bank – including a clock and watch factory in Chongqing, a machine plant in Qingdao (Shandong Province), textile mills in Beijing and Guangxi, and an auto-maker in Hubei – either expanded their workforces or held them relatively constant. Some that desperately wanted to hire additional workers were denied political permission; others staved off job cuts even as they grappled with declining demand or outdated technology.[23] The central government appears not to have prioritized lay-offs at this time and central leaders rarely spoke of the need for thorough SOE reform.

1990–1997

In 1992, Deng Xiaoping took his vaunted "Southern Tour" of special economic zones, which reinvigorated the reform project. Throughout this period, annual Chinese aggregate economic growth rates often soared above 10 percent. But all this had only a small impact on Northeastern SOEs. As in the 1980s, firms laid off large numbers of workers due to revenue shortfalls and the continuing decay of the plan. Some mines and oil fields became increasingly desperate as they began

[21] William A. Byrd, "Summary of Research and General Observations" in Byrd, ed., *Chinese Industrial Firms under Reform* (Washington: World Bank and Oxford University Press, 1992), pp. 44–6; and Byrd, "The Anshan Iron and Steel Company," in ibid., 320–5, 347–9.

[22] Byrd, "Summary of Research," p. 42.

[23] William A. Byrd and Gene Tidrick, "The Chongqing Clock and Watch Company" in Byrd, *Chinese Industrial Firms*, pp. 58–119; Chen Jiyuan, Xu Lu, Tang Zongkun, and Chen Lantong, "The Qingdao Forging Machinery Plant" in ibid., pp.120–48; Lora Sabin, "The Qinghe Woolen Textile Mill" in ibid., pp. 228–75; Josephine Woo, "The Nanning Silk and Ramie Textile Mill" in ibid., pp. 276–302; and William A. Byrd, "The Second Motor Vehicle Manufacturing Plant," in ibid., pp. 371–426.

to exhaust their deposits of mineral resources, even as prices and markets for the commodities they produced were booming.[24]

Labor cuts across the Northeast began to reach a critical scale. One large Northeastern SOE shed more than one-third of its workforce.[25] Many smaller firms in Benxi went bankrupt in all but name and quite a few halted production and payment of salaries.[26] Though nearly all the lay-offs remained informal, arrangements like "long vacation" (*chang jia*) came to be accepted as permanent states of affairs.[27] "I was officially laid off in 2000, but I had been on long vacation since 1991. In truth, it is the same thing," said one former mine foreman in Benxi. A retired Benxi miner angrily said, "The leaders told me to take a long vacation in 1988. After that, I was just waiting to retire. I got nothing from the work unit. Then they finally allowed me to retire in 1995 – two years late – and I only got one-fourth of my proper pension."[28] The trend remained broadly the same as in the 1980s, but quickened and intensified.

In the cities of the Upper Changjiang, significant lay-offs appeared for the first time. One important sector that began to falter was military enterprises. Many older military firms had experimented with new types of business. Across the country, the military launched upwards of 20,000 commercial enterprises during the 1980s and early 1990s, from dual-use auto parts plants to hotels and *karaoke* parlors. Even for those that succeeded, central policy blocked further progress. As of summer 1998, all such "sideline" businesses were ordered by Jiang Zemin to be sold or closed.

Some notable non-military firms had started similar diversification even earlier[29] and continued on this course through the 1990s. Many of these succeeded, but many also found it difficult to stay profitable in a rapidly changing business environment. The loss of profitable businesses, along with failed or loss-making attempts at diversification, left military firms and military-linked Third Front enterprises in varying degrees of distress.[30] Many responded with large-scale lay-offs. Even

[24] Benxi interviewees 42, 48, 50, 53, 57, and 62; Harbin interviewees 2, 5, 8, and 10.
[25] Northeastern managers 1, 3, and 4.
[26] Benxi interviewees 39, 40, 42, 44, 45, 46, 47, 48, 54, and 62.
[27] Guowuyuan Fazhan Yanjiu Zhongxin, "Shenyang Shuibeng Chang Qiye Gaige yu Xiagang Zhigong Wenti Diaocha" (Investigation into the Shenyang Water Pump Factory's Problems with Reform and Laid-off Workers) (Document 84 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 1999).
[28] Benxi interviewees 26 and 31.
[29] See, e.g., Byrd and Tidrick, "The Chongqing Clock and Watch Company," pp. 106–8.
[30] On the special problems of Third Front firms and the issues confronted by the workers they laid off, see Chen Yunsui, "Sichuan Sanxian Qiye Xiagang Zhigong Qunti zhi Teshuxing" (The Particularity of the Group of Laid-off Workers in Sichuan's Third

firms that had looked like genuine reform "winners" in the 1980s (such as Hubei's Second Automobile Corporation) became strained in the 1990s and cut their workforces.[31]

The Upper Changjiang's textile sector also led the way in lay-offs. A new business environment of increased competition placed greater value on capital-intensive production and modern technology than on the labor-intensive methods or utilitarian "socialist" products of Upper Changjiang SOEs. Textile firms in particular faced mounting competition from non-state and foreign firms at the same time that their mostly pre-1949 technology and equipment began to show its age. In one famous example, the Chongqing General Knitting Factory was forced to declare bankruptcy under a cloud of corruption and scandal in 1992, laying off thousands of workers.[32] Mismanagement was often a factor alongside competition. At the same time, local governments and higher-level units were also less able to subsidize struggling firms, especially in the wake of the 1994 fiscal reforms.

Finally, the Upper Changjiang had a particularly high concentration of small SOEs and urban collective firms. Between 1987 and 1997, these firms experienced severe worsening of their business environments, largely due to competition from non-state firms (especially rural township and village enterprises). They also grappled with declining subsidies from related SOEs, local governments, and the central state. One manager of a cardboard box collective factory reported that he had been forced to let "more than one-fourth" of his workforce go prior to 1997.[33] According to official statistics, the total number of collective sector workers employed in the Upper Changjiang fell nearly 15 percent between 1993 and 1997.[34] This, combined with problems in military and textile firms, constituted a first major wave of lay-offs in the Upper Changjiang.

North-Central firms experienced a *net addition* of workers during the first part of the 1990s. Even so, some firms there were laying off workers.

Front Enterprises), *Xi'nan Minzu Daxue Xuebao (Renwen Sheke Ban)* 10 (2007), pp. 197–9.

[31] Byrd, "The Second Motor Vehicle Manufacturing Plant"; and Kate Hannan, *Industrial Change in China: Economic Restructuring and Conflicting Interests* (London: Routledge, 1998).

[32] Xie Delu, *Zhongguo Zui Da de Pochan An Toushi: Chongqing Zhenzhi Zongchang Pochan Jishi yu Tantao* (Perspectives on China's Biggest Bankruptcy Case: History of and Probe into the Bankruptcy of Chongqing's General Knitting Factory) (Beijing: Jingji Guanli Chubanshe, 1994); Elizabeth J. Perry, "Crime, Corruption and Contention," in Merle Goldman and Roderick MacFarquhar, eds., *The Paradox of China's Post-Mao Reforms* (Cambridge, MA: Harvard University Press, 1999), pp. 319–20.

[33] Chongqing interviewee 44.

[34] *Zhongguo Laodong Tongji Nianjian*, various years.

These SOEs faced competition from township and village enterprises – and sometimes from abroad – particularly in textiles. Still, many firms in other key sectors prospered and thrived. One Datong manager pointed out that the problem of illegal or quasi-legal coal from township and village mines flooding the market had not yet become severe in the early 1990s. This preserved a profitable business environment for state-owned mines and helped Datong's massive coal sector stay in relatively good shape.[35]

Even firms facing difficulties were often able to cope. The party secretary of a light industrial firm in Luoyang explained that his factory weathered the storm of initial marketization through direct subsidies and policy loans, and especially by listing shares on the stock market in 1994 to raise needed capital. Manipulations of central–local relations and agile adaptations to changing business environments helped postpone major cuts in the labor force until 1997. By then, the firm "was forced to start cutting personnel to increase efficiency" in exchange for fresh government bailouts and loan repayment assistance.[36] Overall, most North-Central SOEs were not forced to make substantial workforce reductions before 1997. In fact, many were actively discouraged from doing so.

Relatively few workers seem to have lost their jobs involuntarily in Central Coastal SOEs during the first half of the 1990s, though a large number left on their own. Without clear fiscal imperatives, and with significant political disincentives from a closely watchful central state, firms generally held their workforces at pretty much a constant size. When business prospects looked particularly good, some enterprises even took on new workers. Those that shed workers generally lost them to better opportunities in the non-state sector. As one Shanghai city official explained, "before 1997, some workers left their work units to take up higher-paying private sector jobs or to go into business for themselves. In Shanghai at least, no one was forced out."[37]

Even Shanghai firms in distress managed to postpone lay-offs. One fish warehouse worker in Shanghai told of how her work unit began experiencing severe difficulties as early as 1993. "It was clear that the work unit was going to be shut down one day soon. We all could see that."[38] But this firm did not begin laying off workers until much later, as subsidies from higher levels continued for much longer than would have been possible in other regions. A trade union cadre from another sector dominated by large firms told of how his sector began laying off

[35] Datong interviewee 7. [36] Luoyang interviewee 26.
[37] Shanghai interviewee 1. [38] Shanghai interviewee 40.

workers only upon being granted explicit approval from above in 1996, despite severe losses earlier.[39]

Written sources on Shanghai during this period tell a similar story. Case studies of key Shanghai SOEs detail how most workers were retained prior to 1997, and many of those who left did so voluntarily.[40] Only one study, based on a survey of 20 Shanghai laid-off workers, implies that significant numbers lost their jobs before 1997.[41] Though a semi-official report on the city government's social policy achievements during the period of the Ninth Five Year Plan (1993–7) and objectives for the Tenth expressed surprise that, by 1997, more than 40 percent of workers were experiencing "employment difficulties," it turned up few actual lay-offs.[42] Shanghai was at the forefront of national policy in admitting to unemployment and instituting official mechanisms of assistance before 1997,[43] but the scale of the problem was held well in check through a combination of relatively healthy SOE business environments and generous central government subsidies.

Provincial capitals largely escaped significant lay-offs during this period. Even provincial capitals like Shenyang and Harbin, despite being located in the Northeast, were relatively immune to large waves of job losses before 1997 (though some individual firms clearly mirrored the trend in the rest of the region, like the Shenyang Smelter mentioned earlier). Three different cadres in Harbin with responsibilities relating to laid off workers claimed that there were virtually no lay-offs in the city before 1995 and that lay-offs did not become a "serious problem" until 1998.[44] In Shenyang, many officials made similar claims, and even workers laid-off or retired before 1997 reported losing benefits and having subsistence difficulties only after 1997 or 1998.[45] That Shenyang and Harbin could resemble cities in other regions, where closer ties to

[39] Shanghai interviewee 13.

[40] Guowuyuan Fazhan Yanjiu Zhongxin, "Shanghai Dianhua Shebei Zhizaochang Qiye Gaige yu Xiagang Zhigong Wenti Diaocha" (Investigation into the Shanghai Telephone Equipment Production Plant's Problems of Enterprise Reform and Laid-off Workers); and "Baoshan Gangtie (Jituan) Gongsi de Qiye Fazhan yu Renyuan Zhuangkuang Diaocha" (Investigation into the Enterprise Development and Employee Situation of Baoshan Steel) (Documents 86 and 87 in the series *Diaocha Yanjiu Baogao* of the Guowuyuan Fazhan Yanjiu Zhongxin, 1999).

[41] Tao Chunfang and Fan Aiguo, *Zhimian Xiagang* (Face Down Lay-offs) (Beijing: Dangdai Zhongguo Chubanshe, 2001), pp. 90–1.

[42] Shanghai "Jiuwu" Shehui Fazhan Wenti Sikao Ketizu, *Shanghai Kua Shiji Shehui Fazhan Wenti Sikao* (Thoughts on Problems in Shanghai's Social Development in the Coming Century) (Shanghai: Shanghai Shehui Kexueyuan Chubanshe, 1997), p. 103.

[43] On this, see Tang Diaodeng, *Zhongguo Chengshi Pinkun yu Fan Pinkun Baogao* (Report on Poverty and Anti-Poverty in Urban China) (Beijing: Huaxia Chubanshe, 2003).

[44] Harbin interviewees 2, 4, and 5.

[45] Shenyang interviewees 7 and 8.

the center and more profitable SOEs were the rule, adds support to the hypothesis that provincial capitals ought to be categorized as a distinct region in and of themselves.

1997 and beyond

In September 1997, the CCP convened its fifteenth Party Congress in Beijing. Key decisions were taken on many issues relating to SOE reform. It was decided that SOEs were to evolve into profitable firms and that a chief means to achieve this goal would be the laying off of workers to cut costs. Enterprises were ideally to become not just market firms but global competitors,[46] and excessive labor costs were seen as an important obstacle to be cleared from their path.

General Secretary Jiang Zemin proclaimed at the Congress that "we must look to do well by the whole state-owned economy, grasping well the large and letting go of the small (*zhua da fang xiao*), to achieve a strategic restructuring of the SOEs. Taking capital as the bindings we must, through the market, amass great enterprise groups that are of relatively strong competitive ability, multi-regional, multi-sectoral, multi-ownership system, and multi-national."[47] Specifically, Jiang elaborated, firms were to lay off workers or exit the market: "implement and encourage annexations, standard bankruptcies, lay-offs and departures, cutting workers to increase efficiency (*jian yuan zeng xiao*) and the re-employment project, give shape to a competitive mechanism of survival of the fittest for enterprises. With the deepening of enterprise reform, technological progress, and structural economic challenges, the movement of personnel and the laying off of workers are difficult to avoid."[48] With this speech, Jiang threw down a gauntlet for SOEs, telling them they must become profitable market actors and giving them a green light to do so by any means necessary (with specific endorsement of cutting workers to trim costs).

Within weeks of the Party Congress, SOEs felt pressure to trim workforces suddenly deemed bloated. Central leaders repeated calls for SOE labor reform. Most famously, the then Prime Minister Zhu Rongji delivered a widely publicized speech, entitled "Resolutely and Unswervingly Follow the Road of Encouraging Annexations, Standard Bankruptcies, Lay-offs and Departures, Cutting Workers and Raising

[46] Peter Nolan, *China and the Global Economy: National Champions, Industrial Policy, and the Big Business Revolution* (New York: Palgrave, 2001).
[47] Renmin Chubanshe, *Zhongguo Gongchandang Dishiwuci Quanguo Daibiao Dahui Wenjian Huibian* (Beijing: Renmin Chubanshe, 1997), p. 23.
[48] Ibid., p. 24.

Efficiency, and the Realization of the Re-employment Project," to a CCP central economic work conference in December 1997.[49] These further calls increased pressure to implement Jiang's orders quickly, but offered few specifics on how SOEs could lay off large portions of their workforce in politically acceptable ways. Still, one 1998 study uncovered a 30 percent increase in the number of lay-offs in 1997 – leaving a national total of more than 11,510,000 workers out of a job by the end of the year.[50] Another study predicted this number would rise to 20 million by the end of 1998.[51]

In May 1998, the CCP Central Committee and the State Council (China's Cabinet) explicitly outlined acceptable mechanisms for SOE lay-offs. Their jointly convened "Work Conference on Basic Livelihood Protection and Re-employment of Laid-off Workers in SOEs" specified Government- and Party-condoned procedures through which firms could lay off workers, removing any remaining political barriers for SOE managers seeking to put into practice the previously vague calls to restructure labor relations.[52] The conference also was the first central meeting to promote the welfare and re-employment programs discussed in Chapter 3. In another signal of Government tolerance for lay-offs, between summer 1997 and summer 1998 scores of official "self-help guides" on how to seek re-employment were distributed to workers.[53] The same publication that earlier had predicted a sharp jump in lay-offs in 1998 reported that (even under a new and much more restrictive

[49] An excerpt from the heart of this speech can be found in Ministry of Labor and Social Security and Zhong Gong Zhongyang Wenxian Yanjiushi (compilers), *Xin Shiqi Laodong he Shehui Baozhang Zhongyao Wenxian Xuanbian* (Selected Important Documents on Labor and Social Security in the New Era) (Beijing: Zhongguo Laodong Shehui Baozhang Chubanshe and Zhongyang Wenxian Chubanshe, 2002), pp. 278–9.

[50] Li Jiang and Xu Bo, *Zhongguo Jingji Wenti Baogao* (Report on China's Economic Problems) (Beijing: Jingji Ribao Chubanshe, 1998), vol. II, p. 667.

[51] Yang Yiyong, "1997–1998 Nian: Zhongguo Jiuye Xingshi Fenxi yu Zhanwang" (1997–1998: China's Employment Situation and Prospects), in Ru Xin, Lu Xueyi, and Dan Tianlun, eds., *1998 Nian: Zhongguo Shehui Xingshi Fenxi yu Yuce: Shehui Lanpi Shu* (Beijing: Shehui Kexue Wenxian Chubanshe, 1998), p. 51.

[52] Most of the conference's documents that have been made public have been published in Ministry of Labor and Social Security & Zhong Gong Zhongyang Wenxian Yanjiushi, *Xin Shiqi*, pp. 280–327.

[53] See, e.g., Chen Beidi, *Xiagang hou Ni Qu Nali?* (Where Do You Go after Being Laid Off?) (Beijing: Zhongguo Renmin Gongan Daxue Chubanshe, 1997); Wang Xinhua *et al.*, *Xiagang Zhigong Zaijiuye Bidu* (Required Reading for Re-employment of Laid-off Workers) (Zhengzhou: Henan Shuili Chubanshe, 1998); Wang Tiemin and Wu Lijun, *Xiagang Zhigong Zaijiuye Zhinan* (Guide to Re-employment for Laid-off Workers) (Beijing: Zhongguo Wenlian Chubanshe, 1998); Zhao Kai and Lin Liyuan, *Xiagang Zhigong Zaijiuye Chenggong Zhinan* (Guide to Success in Re-employment for Laid-off Workers) (Guangzhou: Guangdong Jingji Chubanshe, 1998).

accounting system) their numbers had indeed increased by at least 57 percent.[54]

The year 1998 also marked the beginning of the "three years of relieving difficulties" (*san nian tuo kun*). Backed strongly and publicly by Prime Minister Zhu Rongji, this initiative was aimed at alleviating the problem of SOE debts. Previously, many SOEs had compensated for losses by drawing "policy loans" (*zhengce daikuan*) from state banks. Forcing SOEs to repay or take responsibility for these debts would have severely strained their finances. Allowing "policy lending" to continue unchecked would have undermined an already weak banking sector.[55] Prime Minister Zhu's solution was to turn off the tap of new open-ended lending as much as possible, use continuing "technical innovation" loans, state subsidies, and one-time infusions to cover essential investments or expenditures, and remove the burden of bad loans from the state banks, transferring control over large outstanding loans to newly created "asset management companies."[56]

This made credit considerably more difficult to obtain for many enterprises. In some cases, provision of new funds came under the explicit condition of cutting payrolls, adding a new target that firms had to meet in order to keep the subsidies flowing. SOE budget constraints were thus not so much hardened as realigned. Instead of subsidies being tied to vertical connections, political behavior (*biaoxian*),[57] the attainment of production targets, or full employment, they became linked to workforce reductions and other "reform targets." This was not a simple advance of the market. It was rather a mere adjustment of bureaucratic-institutional incentives, administratively linking the allocation of capital to the reallocation of labor. Of course, these new incentives played a stronger role where SOEs faced less dire business environments and

[54] Mo Rong, "1998–1999 Nian: Zhongguo de Jiuye Xingshi jiqi Qianjing" (1998–1999: China's Employment Situation and a Look Ahead), in Ru Xin, Lu Xueyi, and Dan Tianlun, eds., *1999 Nian: Zhongguo Shehui Xingshi Fenxi yu Yuce – Shehui Lanpi Shu* (Beijing: Shehui Kexue Wenxian Chubanshe, 1999), p. 236; and Qiao Jian, "1998–1999: Zhongguo Zhigong Zhuangkuang" (1998–1999: The Situation of Chinese Workers), in ibid., p. 428.

[55] On the reform of the banking sector and restructuring of non-performing loans, see Victor Shih, "Dealing with Non-Performing Loans: Political Constraints and Financial Policies in China," *China Quarterly* 180 (2004), pp. 922–44; and *Factions and Finance in China: Elite Conflicts and Inflation* (Cambridge: Cambridge University Press, 2008).

[56] On the details of how much of this was designed and implemented at the central level, see Shih, "Dealing with Non-Performing Loans," especially pp. 934–9.

[57] On the importance of *biaoxian* within the firm, as well as in inter-firm relations, see Andrew G. Walder, *Communist Neo-traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986), pp. 132–47, 160–2.

where central–local relations were close enough that managers felt genuine pressure to comply with higher-level directives.

SOE managers and labor officials on the Central Coast closely heeded Beijing's signals. Over 12 months in 1997 and 1998, more than 26 percent of Shanghai's state and urban collective sector workers lost their jobs. Roughly another 10 percent went out of work the following year.[58] Even though their business environments had not obviously deteriorated, Central Coast SOEs came under pressure from a closely observant central state to trim labor forces. One Shanghai labor cadre said he felt as though he had been told by the Party Congress that "crying and complaining gets you nowhere in the market [i.e. don't ask for subsidies]; forced exit [lay-offs or firm closure] is the only way." Another Shanghai cadre derided the new directives, chafed at bureaucratic micro-management, and mocked the lack of genuine marketization by playing on his city's thick regional accent in proclaiming that "before, everything depended on the bureau chief; afterwards, everyone had to look to the market" (*yiqian sheme dou kao sizhang; houlai shei dou yao kan shichang*).[59] The terms *sizhang* (bureau chief) and *shichang* (market) sound nearly identical when pronounced by many Shanghainese.

By summer 1998, Northeastern firms were instructed to "open up" previously hidden unemployment, and to further deepen workforce reductions. Government and Party leaders decried the poor performance of Northeastern SOEs. Their preferred explanation was that their "costs" (*chengben*) were too high. In August 1999, General Secretary Jiang Zemin addressed a conference on SOE reform in Northern and Northeastern China, articulating this explanation for the regions' problems and prominently endorsing lay-offs as a favored means of "reducing excessive costs."[60] This gave managers an explicit opportunity to earn plaudits by cutting workers and labor costs, even when this failed to resuscitate their firms' profitability.

North Central and Upper Changjiang SOEs felt new central pressure to openly reduce workforces rather than to expand them or conceal cuts. Many mining enterprises also faced worsening prospects for

[58] Yin Jizuo, *Tizhi Gaige Shehui Zhuanxing: 2001 Nian Shanghai Shehui Fazhan Lanpi Shu* (System Reform, Social Transition: 2001 Blue Book of Shanghai's Social Development) (Shanghai: Shanghai Shehui Kexueyuan Chubanshe, 2001), p. 101.

[59] Shanghai interviewees 10 and 13.

[60] Jiang Zemin, *Jianding Xinxin, Shenhua Gaige, Kaichuang Guoyou Qiye Fazhan de Xin Jumian: zai Dongbei he Huabei Diqu Guoyou Qiye Gaige he Fazhan Zuotanhuishang de Jianghua, 1999 Nian 8 Yue 12 Ri* (Keep the Faith, Deepen Reform, Initiate a New Phase of SOE Development: Speech at the Conference on Reform and Development of SOEs in the Northeast and North-China Regions, August 12, 1999) (Beijing: Renmin Chubanshe, 1999).

profitability. These troubles were often due to competition from rural collective and private mines that undercut state-owned mines' prices.[61] Rural and foreign competition exacted a toll on firms in sectors like textiles and agricultural implements. Many older Third Front enterprises that had converted to non-military production began to see profits from these new lines falter as business environments evolved while others were forced to sell off disallowed subsidiaries. North Central and Upper Changjiang SOEs thus confronted a constellation of declining profitability and reduced subsidies much akin to what their Northeastern counterparts endured in the 1980s. Unlike Northeastern firms in the 1980s, however, they were pressed to address these problems with job cuts rather than being restrained from doing so.

There are two additional important phenomena: job losses through "firm exit" and workforce reductions through bureaucratic fiat. While not typical across the board, they did cause significant loss of employment. They also help illustrate how state firms often became more, rather than less, politicized through reform.[62]

Job losses through "firm exit"

There were three types of "exit" for SOEs: bankruptcy, transfer to managers as a private firm, or sale to outside investors. The SOE reform package adopted at the fifteenth Party Congress and in the tenth Five Year Plan had a key slogan: *zhua da fang xiao* (grasp the large, let go of the small). Large SOEs were to be retained in state hands, small ones privatized or closed. Small firms were thus more likely to be sold, bankrupted, or acquired by their managers than even the most troubled large ones.

In officially bankrupt firms, workers who lost their jobs became formally registered unemployed (*dengji shiye*). This entitled them to additional forms of social protection not available to those merely laid off (*xiagang*). Some SOEs went bankrupt in all but name, but were not officially permitted to declare bankruptcy for several years. In such cases, many years'-worth of job losses were largely masked before appearing all at once upon the formal bankruptcy filing.[63] Though it is not possible to calculate precisely how many SOE workers lost their

[61] Tim Wright, "Competition and Complementarity: Township and Village Mines and the State Sector in China's Coal Industry," *China Information* 14/1 (2000), pp. 113–30.

[62] For a detailed explanation of how corporate governance in the steel sector became increasingly politicized in the 1990s, see Steinfeld, *Forging Reform in China*.

[63] Benxi interviewee 5; Chongqing interviewees 1, 4, 8, 9, and 11; Datong interviewee 6; Shanghai interviewee 11.

jobs due to firm bankruptcy, a majority of registered unemployed workers (who by 2004 officially numbered 8.3 million)[64] ended up there when their firms were formally allowed to fail.

Privatization also disrupted labor relations. Even when some workers were retained, privatized enterprises' workforces were nearly always reduced or substantially reconstituted.[65] As one irate laid-off iron worker in Chongqing explained, privatization allowed SOE managers (who very often became the new owners) to do one of three things: (1) dismantle the firm, sell off all the assets, and keep the profits; (2) maintain production, lay off all the workers, and hire rural-to-urban migrants as replacements; or (3) lay off all the workers, keep some portion of their intended severance pay "in reserve" as a deposit, and hire them back on short-term contracts with lower wages and no social benefits.[66] Though this interviewee painted such practices in angry and pejorative terms, they were all rational moves for new owners of privatized firms.

Labor relations and ownership change sometimes interacted in yet more complex ways. For example, the large SOE in Luoyang, mentioned earlier, which had listed its shares on stock exchanges and progressed relatively far in reforming its corporate governance and labor relations (including job cuts by the late 1990s), ran into trouble by 2000. It found itself unable to repay roughly RMB Y400 million (about $58 million) in "policy loans." The central government forced the firm to enter into an arrangement under which an asset management company (AMC) assumed ownership of Y400 million-worth of the SOE's stock (a controlling interest). As soon as it acquired this interest, the AMC ordered the plant to shut down most of its production lines and lay off 6,000 of its 15,000 workers to reduce losses. These laid-off workers were then supposed to become the responsibility of the Luoyang city government.

The city government refused to accept the workers, however. It demanded that the SOE take them back and reopen the lines they had been working on. The firm took them back, but the AMC refused permission to reopen the lines. It also refused to allow managers to negotiate any type of buyout or other deal with the workers. As of 2002, the workers were kept on at the firm in limbo, not technically laid off, but paid only an irregular pittance, when management could come up

[64] *Zhongguo Laodong Tongji Nianjian*, 2005, p. 157.
[65] Editorial Board, "Gongchang 'Chujia' Zhigong Kungan" (With the Factory 'Married Out,' Workers are at a Loss), *Gaige Neican* 3 (2001), pp. 31–2.
[66] Chongqing interviewee 10.

with the funds.[67] In this case and others like it, the livelihood of the affected workers, the profitability of the SOE, and the broader goals of reform were all compromised.

Job losses by bureaucratic fiat

Despite changing business environments and trimmed subsidies, some SOEs continued to be profitable through 1997. Some even had good prospects for future growth and continued to take on new workers. Many profitable firms were concentrated along the Central Coast and in some provincial capitals across other regions. Beginning in 1997, they were called upon to lead the way in achieving the goals of the fifteenth Party Congress and to pioneer reforms of labor relations and structural reorganization.[68] By 1998, many healthy SOEs were searching for ways to let workers go, struggling to devise mechanisms in which labor reductions could be accomplished without harming production or endangering the physical safety of workers on abruptly understaffed lines.[69] Interviewees in Shanghai affirmed widespread lay-offs in profitable firms beginning in 1997 and 1998, and continuing afterward, often in direct response to political pressure.[70] By 2004, even official statistics reported that only around half of laid-off workers were from "loss-making" firms.[71]

Dorothy Solinger tracked down Chinese academic analyses arguing that profitable enterprises made workforce cuts because "their upper level gives its enterprises a quota for the number of laid off as one basis for evaluating leading cadres' work."[72] She also related stories of lay-offs by bureaucratic directive from her interviews in Wuhan. Kun-chin Lin provided even more detailed evidence from one of China's most profitable sectors – oil and petrochemicals. For example, the "non-core" part of the Shengli oilfield (in Shandong Province) was explicitly commanded to reduce its total number of work teams from 120 to 95 in 2001 and to cut its labor force by 50 percent between 2001 and 2005.[73]

[67] Luoyang interviewee 26. [68] See, e.g., Jiang, *Jianding Xinxin*, pp. 18–19.
[69] Shanghai interviewees 4, 13, 21, 25, 27, 33, 42, 48, 51, and 52.
[70] Shanghai interviewee 38 was particularly adamant about this.
[71] *Zhongguo Laodong Tongji Nianjian* 2005, p. 163.
[72] Tian Bingnan and Yuan Jianmin, "Shanghai Xiagang Renyuan de Diaocha Yanjiu" (Investigative Research on Shanghai's Laid-off Workers), *Shehuixue* (1997), p. 11, as translated and quoted in Dorothy J. Solinger, "Labor in Limbo: Pushed by the Plan toward the Mirage of the Market," in Françoise Mengin and Jean-Louis Rocca eds., *Politics in China: Moving Frontiers* (New York: Palgrave Macmillan, 2002), pp. 38–9.
[73] Kun-chin Lin, "Class Formation or Fragmentation? Allegiances and Divisions among Managers and Workers in State-Owned Enterprises," *University of Notre Dame Kellogg Institute for International Studies Working Papers* 318 (2005), pp. 9–10.

While likely the exception rather than the rule nationally,[74] such downsizing by fiat was clearly not restricted only to Wuhan or to the oil sector. Indeed, at least one high-profile profitable steel firm in Shanghai used an internal quota system to force labor cuts on every shop floor as early as the late 1980s.[75]

The political economy of China's post-socialist transition

That broadly market-oriented reform might entail an extension of the state's role in the economy through the building of a more comprehensive regulatory apparatus is not a new idea.[76] In the China of 2008, however, SOEs were still being "commanded" more than "regulated" with regard to their labor policies; and changes have been less "systemic" than sometimes perceived.[77] It is not just that the web of rules regulating enterprises expanded. Rather, as new edicts and targets replaced old ones, many firms after 1997 were simply "storming" to meet state dictates on reform.

Chinese leaders were said to view the market as salvation. They hoped, in other words, that market discipline could improve the SOEs' performance without selecting out the inefficient.[78] But without market-enforced exit, SOEs remained politicized bureaucratic entities. High-profile reform packages headlined by four-character slogans (e.g. *san nian tuo kun*, *zhua da fang xiao*, *jian yuan zeng xiao*, etc.) certainly changed the rules of the game for Chinese SOEs. But such efforts to call a market into being through planning-style administrative edict did not create or enforce genuine market discipline. Whether because of bureaucratic weakness, inertia, or fear, the reform of labor relations in Chinese SOEs failed to follow a path of either "shock therapy" or gradualist regulatory institution-building. Instead the process largely

[74] Even though profitable firms may have been a minority among SOEs, some have claimed that SOEs as a group were at least as profitable as other types of firms during this period. See Carsten A. Holz, "Long Live China's State-Owned Enterprises: Deflating the Myth of Poor Financial Performance," *Journal of Asian Economics* 13 (2002), pp. 493–529.

[75] Elizabeth Freund Larus, *Economic Reform in China, 1979–2003: The Marketization of Labor and State Enterprises* (Lewiston: Edwin Mellen Press, 2005), pp. 148–9.

[76] See, e.g., Steven Vogel, *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries* (Ithaca: Cornell University Press, 1996).

[77] Janos Kornai, "What the Change of System from Socialism to Capitalism Does and Does Not Mean," *Journal of Economic Perspectives* 14/1 (2000), p. 31.

[78] Steinfeld, "Market Visions."

amounted to incremental institutional decay and a watering down of progressively inconsistent administrative command.[79]

Continued state ownership, however, was not the largest obstacle. As Nicholas van de Walle demonstrated, privatization *per se* does not guarantee the perceived benefits of public enterprise reform.[80] Rather, liberalization – increasing the role of markets in setting relative prices – is often the key step in achieving reform goals. But not only did Chinese planners demur at fully privatizing the bulk of the state-owned economy; they also failed effectively to introduce market forces in the setting of the relative price of labor. Shedding workers often came to be seen as an end in itself, while the costs of retaining employees were frequently distorted. Labor had been artificially cheap for SOEs during the Maoist period, when enterprises were rewarded for hiring unnecessary workers and disciplined for failing to provide sufficient jobs as mandated by the plan. But labor then became artificially expensive in the state sector after 1997, as firms faced administrative sanctions and lost subsidies if they retained what the state saw as too much labor, even when job cuts hurt market performance or competitiveness.

Eschewing teleological visions of China marching relentlessly toward an idealized market, how are we to characterize the significant shifts of the past twenty years, particularly with regard to SOE labor policy? Nuanced scholarship on "varieties of capitalism" has focused on the role of relationships between states and markets.[81] Differences between "coordinated" or "regulated" market economies on the one hand, and "liberal" or "uncoordinated" market economies on the other have been seen as key in that literature. Though China in the first years of the twenty-first century did not fit easily into this framework, neither did it remain an unreconstructed planned economy.

Building on Lieberthal's conceptual work,[82] I suggest that China by 2008 could be characterized as a segmented negotiated political

[79] On the idea that dirigisme and state control are often outgrowths of administrative weakness in developing countries, see Kiren Aziz Chaudhry, "The Myths of the Market and the Common History of Late Developers," *Politics & Society* 21/3 (1993), pp. 246–9.

[80] Nicholas van de Walle, "Privatization in Developing Countries: A Review of the Issues," *World Development* 17/5 (1989), pp. 601–15.

[81] See, e.g., Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

[82] On "negotiated economy" see Kenneth Lieberthal, *Governing China: From Revolution through Reform*, 2nd edn. (New York: W. W. Norton, 2004), pp. 264–9. On "fragmented authoritarianism," see Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton: Princeton University Press, 1988), especially ch. 4.

economy – a melange of usually discrete, occasionally interlocking, arenas of particularistic bargaining. The Chinese state played a strong and direct role in all areas of economic activity, but this role was both segmented across portions of China's political economy *and* negotiable between economic actors and state agents. The state's involvement in the economy evolved to become at once more opaque and inconsistent than in state-led capitalist economies (such as France), and less comprehensive and ham-fisted than in classical "command economies" (such as pre-1978 China or the USSR).

Classical socialist planned economies also displayed many attributes of this sort of political economy, with widespread bargaining between firms or individuals and state actors over everything from healthcare and plan targets to crime and punishment. What distinguishes China's new post-socialist variant, however, is the absence of either the overriding force of the plan or a coherent overall ideology of the Party-state. This subjected a wider range of issues to bargaining and multiplied the number of bargaining arenas. My findings on the political economy of lay-offs then suggest that *at least within the urban state and collective sector* the most salient axis of further segmentation was regional. Not only did lay-offs occur at different times in different places, but they came about because of dramatically different causal processes. Understanding the regional basis of segmentation can facilitate greater clarity in the analysis of China's overall post-socialist transition.

Many components of the state sector were able to slip into a type of partial reform equilibrium in the interstices of China's inchoate and fuzzy institutional environment.[83] Indeed, by 2000, SOE managers and local officials (winners from partial reform) had strong incentives to block further efforts at genuine marketization and, failing this, to shunt unavoidable concessions to central reform demands onto workers through lay-offs. That they could claim political credit, earn subsidies, and deflect critical attention from above simply by shedding workers increased managers' and officials' incentives to make use of this particular tactic for avoiding more thorough reform. This was especially the case in places, like many cities on the Central Coast, where firms had the luxury of such "feigned compliance" and had not been forced to downsize earlier.

[83] Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 50/2 (1998), pp. 203–34; Victor Shih, "Partial Reform Equilibrium, Chinese Style: Political Incentives and Reform Stagnation in Chinese Financial Policies," *Comparative Political Studies* 40/10 (2007), pp. 1238–62.

Conclusion

China experienced millions of SOE lay-offs, not as one smooth and universal push toward liberalization and the market, but as punctuated lurches in a variety of directions, initiated for different reasons. Different parts of the country not only had different levels of severity in lay-offs, but experienced lay-offs as the result of different causal processes. Insolvent Northeastern firms shed workers over more than fifteen years in desperate attempts to stay afloat. North-Central and Upper Changjiang SOEs experienced sector-specific pressures before 1997, leading some to take on new workers while others foundered and cut back. All regions, but particularly the Central Coast, laid off much higher numbers of workers after 1997, following a policy shift by the state and Party Center.

China's political economy was not only divided between a new market and an old plan, but also separated by region in the dynamics of labor and employment. Understanding the different processes through which lay-offs occurred is a crucial first step. The next chapter discusses the policies the state adopted to ameliorate the social effects of lay-offs. Divergent regional dynamics of lay-offs and the reasons behind them also play an important role in assessing how and with what effect the government intervened to assist the dislocated.

3 Remaking China's urban welfare and labor market policies

Introduction

Labor market policy and welfare policy are important aspects of general economic adjustment. This chapter discusses policy initiatives aimed at dealing with urban unemployment in China over time and across regions.[1] The focus is on both implementation and policy effects, intended and unintended, across time and place. Examining welfare reform in the critical case of China also sheds important light on general arguments about social protection.

The basic argument is that as China's old work unit socialist welfare system broke down,[2] the state tried, but largely failed, to replace it. After early moves to revamp the "enterprise-based" model were abandoned, the state later sought to build a new "state-based" system. Successful implementation of the new system, as of 2008, was still dependent on local state capacity, as well as on central–local relations. Extreme regional variation in policy formation and implementation across the whole period from the mid 1990s through 2008 is perhaps the most important characteristic of the process.

The simultaneous pursuit of liberalization and social protection hampered progress toward both objectives. The unraveling of old structures of assistance and control undermined attempts to insulate and compensate losers, while policies that kept the development of a labor market in check impeded other reform goals. Policy responses to lay-offs did not fail *in toto*, but they were much less effective than intended and informal local initiatives often proved more useful to workers on the ground. Both formal and informal remedies varied substantially by region.

[1] Rural residents and migrants, however, were left out of nearly all these attempts: Sarah Cook, "From Rice Bowl to Safety Net: Insecurity and Social Protection during China's Transition," *Development Policy Review* 20/5 (2002), pp. 615–35.

[2] For a comprehensive overview of the old system, see John Dixon, *The Chinese Welfare System, 1949–1979* (New York: Praeger, 1981).

Robust firms and strong local governments on the Central Coast and in many provincial capitals implemented both firm-based and state-based policies successfully, without extensive recourse to informal arrangements. Weak states and foundering firms in the Northeast struggled to implement either set of policies and attempted limited informal initiatives only where and when they were capable. Finally, relatively weak local governments and sectorally differentiated firms in the North-Central and Upper Changjiang regions made half-fulfilled attempts to adopt firm-based and then state-based policies, but concentrated most of their efforts on informal provision of assistance (and achieved their greatest successes with this).

There was also change in the CCP's welfare reform strategy over time. Dorothy Solinger argued that there were three policy approaches to the problem of lay-offs: one market (propagandizing to workers in hopes of convincing them to seek work in the expanding market sector), one statist (the formal *xiagang* and re-employment service center – RSC – system), and one social democratic (efforts to build comprehensive social protection or unemployment insurance systems).[3] From a more general perspective, China's shifting policies could suggest a movement from a "corporatist-statist" model to a "market-liberal" one.[4] The old work unit socialist welfare system for urban residents could be construed as a sort of corporatist welfare state regime that preserved post-revolutionary status differentials and promoted the CCP's political and social values. Later initiatives borrowed heavily from liberal "Anglo-Saxon" conceptions of welfare and social assistance, providing means-tested and temporary stop-gap living subsidies and job training assistance to society's most precarious members. Both conceptions are a bit too facile, however.

The general framework of welfare state "retrenchment" also appears applicable to Chinese welfare policies for laid-off workers. Retrenchment entails dramatically scaling back general protections while compensating the largest or most vocal losers. Such a view takes us only so far in the Chinese case. Past arguments about retrenchment emphasized the degree to which center-right governments stopped short of their liberal reform goals to compensate losers.[5] In China the world's largest

[3] Dorothy Solinger, "Labour Market Reform and the Plight of the Laid-off Proletariat," *China Quarterly* 170 (2002), p. 305.

[4] Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990), especially pp. 26–33.

[5] See, e.g., Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge: Cambridge University Press, 1994).

Table 3.1. *Chinese unemployment and welfare policies and their implementation*

Policy	Time periods implemented	Regions where implemented[a]	Regions where partially implemented
Long vacation (also known by various other names – e.g. *liang bu zhao*, etc.)	Since late 1980s	Never fully implemented as primary policy	Common in NE; less common in NC and UP; occasional in PC and CC
Ting xin liu zhi ("stop the salary, preserve the position" – meant as "moonlighting leave" but in practice often resembles long vacation)	Since early 1990s	Never fully implemented as primary policy	All
Maiduan gongling (buying out the work age of employees)	Since 1993	Never fully implemented as primary policy	All
Lungang and *zhuan'gang* ("rotating posts" and "changing posts")	Roughly 1993–7	Never fully implemented as primary policy	All
Daigang ("waiting for a post" but really a precursor to *xiagang*)	Roughly 1993–7	UP	Common in NC, occasional elsewhere
Xiagang/RSC's	1997–2000	CC and PC	UP, NC, and NE
Tiqian tuixiu/neibu tuixiu (Early retirement and internal retirement)	Roughly 1995–2000	Beijing, some industrial towns with profitable SOEs - e.g. oil towns	CC
Collective spin-offs	Since early 1990s	Never fully implemented as primary policy	All
Street committee assistance	Since mid 1990s	Never fully implemented as primary policy	Common in UP, occasional in PC, NC, and CC
Loans and tax breaks	Since 1997	CC and PC	UP
Building new sectors	Since mid 1990s	PC	All others, but very rare in UP
Minimum livelihood guarantee ("*dibao*")	In present form since 2001; as key component of the new "social insurance" system since 2004	CC, many PC	All
Comprehensive social security	Since late 2001/early 2002	Shanghai	Rarely anywhere else
Xieyi baoliu (agreed retention)	Since 2001	Shanghai	Perhaps throughout CC

[a] Abbreviations: NE = Northeast, NC = North-Central, CC = Central Coast, UC = Upper Changjiang, PC = provincial capitals

Communist Party pressed ahead with reforms, even in the face of limited and often inadequate social protection for those worst affected.

The best way to engage the broader literature, and to explain observed regional variation in Chinese welfare reform, is by relating welfare states to "production regimes."[6] Between about 1995 and 2008, China contained multiple, regionally bounded, production regimes.[7] The welfare system and process of welfare reform were thus also regionally bounded phenomena. Policies evolved simultaneously in various forms and with very different results across regional production regimes. There was no clean progression of centrally initiated comprehensive programs. Rather, Chinese welfare reform was a hodgepodge of half-finalized and half-adopted policies (the implementation of which frequently had to be negotiated between individual firms and relevant state agents) – a variant of Chinese "welfare pluralism."[8]

The specific policies adopted in each region are summarized in Table 3.1. The rest of this chapter first offers a chronology of unemployment crises and phases of welfare reform. The various enterprise-based and state-based policies adopted are then discussed and evaluated in turn.

Urban Chinese unemployment and state responses

Unemployment was not new to the People's Republic in the 1990s. Between 1949 and the late 1970s, China faced three periods of acute unemployment.[9] In the early 1950s, millions of rural residents flooded into the cities, where existing industrial plants had been damaged or were otherwise operating at reduced capacity. In the early 1960s, a crisis arose in the aftermath of the Great Leap Forward. In the 1970s, new entrants from the post-revolutionary generation flooded into the urban labor force.

During the 1950s, the government restricted the number of labor force entrants through administrative barriers (e.g. the *hukou* system).

[6] David Soskice, "Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s," in Herbert Kitschelt, Peter Lange, Gary Marks, and John D. Stephens, eds., *Continuity and Change in Contemporary Capitalism* (Cambridge: Cambridge University Press, 1999), pp. 101–34; and Evelyne Huber and John D. Stephens, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001).

[7] Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007), pp. 21–2.

[8] Linda Wong, *Marginalization and Social Welfare in China* (London: Routledge, 1998), pp. 82–3.

[9] These three periods are neatly spelled out and identified in Cheng Liansheng, *Zhongguo, Fan Shiye Zhengce Yanjiu (1950–2000)* (A Study of the Anti-Unemployment Policies of China [1950–2000]) (Beijing: Shehui Kexue Wenxian Chubanshe, 2002), chs. 2 and 3.

It also stepped up investment in new industrial capacity. In the aftermath of the Great Leap Forward, SOEs drastically cut their payrolls, beginning in 1961. Two groups were targeted – newly hired rural workers and older workers hired before 1949. Newly hired workers were dismissed and often sent back to rural areas. The forced retirement, and in some cases revocation of urban household registrations (*hukou*), of older workers was more politically sensitive – but was pushed through, even in the face of "disturbances."[10]

During the Cultural Revolution of the late 1960s and early 1970s, a demographic bulge resulting from explosive population growth after 1949 produced unprecedented numbers of new entrants to the urban labor force. The CCP responded by compelling millions of urban youth to move to rural areas.[11] When these youths began to return to the cities around 1978, a deferred employment crisis erupted.

The central state, unable or unwilling to continue excluding "returned youth" from the urban labor force, employed them as quickly as possible in state-owned units.[12] While waiting for job assignments, they were classified as "*daiye*" (waiting for work) and were placed under the supervision of "labor service companies" (*laodong fuwu gongsi*). These offered some job training services, helped their clients find jobs, and provided basic living allowances and, sometimes, temporary work.[13] So important was the role of the labor service companies that, as late as 1988, Chinese planners assumed that their expansion would be critical to building a national labor market.[14]

The wave of urban lay-offs beginning in the late 1980s precipitated a new round of welfare reform. The government responded first with enterprise-based and then state-based initiatives. But there was considerable debate over what effects any of these had. Some proclaimed that "furloughed workers are compensated . . . *Xiagang* [laid-off] workers continue to receive a partial salary, housing, health care, and other benefits from their enterprises. Many furloughed workers were retrained through *zaijiuye* [re-employment] projects and later found jobs in the

[10] Mark W. Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management* (Cambridge: Cambridge University Press, 2002), pp. 218–19; Yongshun Cai, *State and Laid-Off Workers in Reform China: The Silence and Collective Action of the Retrenched* (Abingdon: Routledge, 2006), p. 18.

[11] Thomas P. Bernstein, *Up to the Mountains and Down to the Villages: The Transfer of Youth from Urban to Rural China* (New Haven: Yale University Press, 1977).

[12] Thomas B. Gold, "Back to the City: the Return of Shanghai's Educated Youth," *China Quarterly* 84 (1980), pp. 755–70.

[13] Cheng, *Fan Shiye*, pp. 130–3.

[14] Liu Jialin, Mao Fenghua, *et al.*, *Zhongguo Laodong Zhidu Gaige* (Reform of the Chinese Labor System) (Beijing: Jingji Kexue Chubanshe, 1988), pp. 263–4.

nonstate sector . . . Moreover, with rapid growth, the plan track becomes, in no time, a matter of little consequence to most potential losers."[15] Others concluded that "Sadly, for the laid-off, the Party's efforts in the time since – a nationwide re-employment program, replete with living allowances, cancellation of fees for those who become self-employed, and efforts to create a social security system – have frequently come to nothing."[16]

A similar debate raged among influential Chinese scholars and policy-makers, complicating the policy process. One camp claimed that most laid-off workers who freed themselves of outmoded socialist notions of labor relations readily found re-employment.[17] Others argued that efforts to promote re-employment yielded few tangible results.[18] In fact, the reality was far from both of these extremes. But ongoing disagreement exacerbated the CCP's tendency to switch policies perhaps too quickly, and placed regional variation into sharp relief.

Chronology of welfare reform since 1985

Main policy initiatives can be grouped chronologically into three rough periods: 1985–97, 1997–2000, and 2000–8. Before 1997, lay-offs were seen as a temporary condition for a relatively small portion of the workforce. They were concentrated initially in the Northeast, and later in particular sectors across the North-Central and Upper Changjiang regions. Firms and localities generally sought informal remedies for sidelined workers.

Then came the fifteenth Party Congress in September 1997, and particularly the Central Committee and State Council joint "Work

[15] Lawrence J. Lau, Yingyi Qian, and Gerard Roland, "Reform without Losers: An Interpretation of China's Dual-Track Approach to Transition," *Journal of Political Economy* 108/1 (2000), pp. 141–2.

[16] Dorothy J. Solinger, "Chinese Urban Jobs and the WTO," *China Journal*, 49 (2003), p. 81.

[17] See, e.g., Li Qiang, Hu Junsheng, and Hong Dayong, *Shiye Xiagang Wenti Duibi Yanjiu* (Comparative Research on the Problems of Unemployment and Lay-offs) (Beijing: Qinghua Daxue Chubanshe, 2001), particularly ch. 3; also Wang Meili, "Xiagang Zhigong Yuanhe You Gang bu Shang?" (Why are There Jobs that Laid-off Workers Do Not Take?), *Laodong Neican*, 7 (1998), p. 35.

[18] Han Jingxuan, Ma Li, and Zhang Wei, "Xian Jieduan Woguo Laodong Jiuye Cunzai de Wenti ji Xiangguan Duice" (Problems of Labor Employment and Related Counter-measures in Our Country in the Current Period), *Tongji Yanjiu* 7 (2001), pp. 47–51; State Council General Office, "Guowuyuan Bangongting Guanyu Jin yi Bu Jiaqiang Chengshi Jumin Zui Di Shenghuo Baozhang Gongzuo de Tongzhi" (State Council General Office Notice Concerning the Strengthening of Work on Provision of Basic Livelihood Security to Urban Residents), (Document 87 of the State Council General Office, 2001).

Conference on Basic Livelihood Protection and Re-employment of Laid-off Workers in SOEs" in May 1998.[19] The central government pressed for the creation of locally administered re-employment service centers (RSCs) to promote welfare provision and re-employment for laid-off workers. Such workers were expected to be both numerous and permanently unable to return to their state-owned work units. This policy remained the guiding principle from Beijing until 2000.

By 2000, central policymakers became convinced that the RSCs had failed.[20] Participation was uneven, funding scarce, and alleged abuses rampant. The government decided to close RSCs and transfer laid-off workers directly into an open labor market. At the same time, universalist state-based welfare schemes were to be expanded. The state and Party Center formally promulgated this shift in the Tenth Five Year Plan.

From the end of 2000, no new workers would be admitted into RSCs. By the end of 2003, all workers were to have left the RSCs, which were then to be closed.[21] The category of "*xiagang*" (laid-off) workers would be phased out and laid-off workers would be reclassified as "*shiye*" (unemployed).[22] These changes were meant to advance general SOE reform, move China closer to "international norms" regarding unemployment, and better serve workers not well protected or assisted through the RSC system.

There were thus three types of policies: informal, enterprise-based, and state-based. Though informal remedies predominated before 1997, they never fully faded from the scene and enjoyed some resurgence after 2003. Each category is now analyzed in turn, beginning with the enterprise-based *xiagang* and RSC framework, progressing to later state-based initiatives, and then turning to informal responses.

[19] Ministry of Labor and Social Security and Zhong Gong Zhongyang Wenxian Yanjiushi, eds., *Xin Shiqi Laodong he Shehui Baozhang Zhongyao Wenji Xuanpian* (Selected Important Documents on Labor and Social Security in the New Era) (Beijing: Zhongguo Laodong Shehui Baozhang Chubanshe and Zhongyang Wenxian Chubanshe, 2002), pp. 280–332.

[20] Beijing Interviewees 2 and 9.

[21] Ministry of Labor and Social Security, "Laodong he Shehui Baozhang Shiye Fazhan di Shi ge Wu Nian Jihua Gangyao" (Outline of the Task of Labor and Social Protection and Development for the Tenth Five Year Plan), in Ministry of Labor and Social Security, *Laodong Baozhang Shiye Fazhan 'Shi Wu' Jihua Huibian* (Compilation of Documents on the Task of Labor Protection in the Tenth Five Year Plan) (Beijing: Zhongguo Laodong Shehui Baozhang Chubanshe, 2001), especially p. 67.

[22] For a discussion of these categories and concepts, see *Laodong Neican* Editorial Board, "'Xiagang Zhigong' yu 'Shiye Renyuan' Ying Ruhe Qubie?" (How should "Laid-off Workers" and "Unemployed Persons" Be Differentiated?) *Laodong Neican* 12 (1997), inside back cover.

Enterprise-based policies

The principal enterprise-based response, the *xiagang* system, was first endorsed at the central level in 1995. Redundant, inefficient, unnecessary, or unaffordable workers were to be taken out of the active labor force without being immediately ejected from the state's embrace.[23] *Xiagang* workers were no longer employed in production and were not entitled to wages or most other benefits due to SOE workers; but they were still part of their work units (where their *dang'an* – dossiers – were still kept).

But determining exactly which workers were *xiagang* was slippery from the beginning. To clarify this, an "*er wu*" ("two noes") definition was promulgated by the State Statistical Bureau and the Ministry of Labor in 1996. *Xiagang* workers were no longer working in their work units (the first "no"), but had not yet severed formal labor relations with their units (the second "no"). They remained attached to SOEs but were kept at arm's length.[24]

At the fifteenth Communist Party Congress in 1997, a stronger and clearer line was taken. All "surplus" workers were to be designated as *xiagang*. This was justified under the slogan of "*jian yuan zeng xiao*" (cut staff, increase efficiency). The category of *xiagang* was promoted as an explicit threshold to the market. Newly *xiagang* workers were to register with and enter RSCs under a system modeled on a pilot scheme initiated in Shanghai during 1995 and 1996.[25] RSCs in this framework were sector-based. One RSC covered all *xiagang* workers in a particular sector and pooled funds contributed by all firms in that sector to cover operating expenses.[26]

[23] For overviews of this policy, see Hong Yung Lee, "Xiagang: The Chinese Style of Laying Off Workers," *Asian Survey* 40/6 (2000), pp. 914–37; and Linda Wong and Kinglun Ngok, "Social Policy between Plan and Market: Xiagang (Off-duty Employment) and the Policy of the Re-employment Service Centres in China," *Social Policy and Administration*, 40/2 (2006), pp. 158–73. For a more general review of social policy up through 2000 see Julia Kwong and Yulin Qui, "China's Social Security Reforms under Market Socialism," *Public Administration Quarterly*, 27/1–2 (2003), pp. 188–209.

[24] Renkou he Shehui Keji Si (Population and Social Technology Department), "Xiagang ji Xiagang Tongji Yanjiu" (*Xiagang* and *Xiagang* Statistical Research), *Tongji Yanjiu* 3 (1999), p. 22. Apparently, though some have thought otherwise, this system was not adopted to reduce costs. One writer in an internal labor journal remarked that there was a problem with the idea of "*Zhong xiagang qing shiye*" (emphasize *xiagang*, downplay formal unemployment) because placing a worker into *xiagang* status was actually much more costly than shifting him or her into the category of the formally unemployed: Zeng Jinhua, "Zai Jiuye Gongzuo Yingmao Jiuzheng de Ji ge Buliang Qingxiang" (Several Unhealthy Tendencies in the Work of Re-employment that should be Rectified), *Laodong Neican* 7 (1998), p. 30.

[25] Feng Chen, "The Re-Employment Project in Shanghai: Institutional Workings and Consequences for Workers," *China Information* 14/2 (2000), pp. 174–6; Wong and Ngok, "Social Policy," pp. 164–6.

[26] Chen, "The Re-Employment Project" pp. 177–8.

Funding for RSCs was to be provided under a "*san-san*" ("three-thirds") arrangement. One-third of their funding was to come from SOEs, one-third from local governments, and one-third from the central government budget. With these funds RSCs were to provide workers with job training, job placement assistance, and basic living allowances, called *jiben shenghuo fei* and paid in amounts determined by local governments, for three years.[27] After three years, workers would be discharged into the open market. If they found new work before that, workers were to report it and leave the RSC.[28]

"Hidden employment" (*yinxing jiuye*) quickly became a serious concern among policymakers, however. Many charged that workers were engaging in side jobs or employment activities even while remaining in an RSC and drawing benefits.[29] Escalating subsidies from Beijing were thus allegedly widely abused by workers who actually had jobs.[30] The State Statistical Bureau and Ministry of Labor, reacting to this fear, changed the official definition of *xiagang* in 1998. The old "*er wu*" formulation was dropped and a new "*san wu*" ("three noes") version adopted. Under the new rules, a *xiagang* worker was no longer employed in his or her work unit (the first "no"), had not severed formal labor relations the work unit (the second "no"), *and* had not yet been re-employed "in society" (the third "no").[31]

Another major revision to the system was made in 1998. Beijing called for a change from a sector-based model to a fully enterprise-based system. Each individual enterprise was to establish its own RSC, rather

[27] CCP Central Committee and State Council, "Zhonggong Zhongyang, Guowuyuan Guanyu Chushi Zuohao Guoyou Qiye Xiagang Zhigong Jiben Shenghuo Baozhang he Zaijiuye Gongzuo de Tongzhi" (Notice of the CCP Central Committee and State Council on Starting the Work of Basic Livelihood Protection and Re-employment for Laid-off SOE Workers), reprinted in Ministry of Labor and Social Security and Zhong Gong Zhongyang Wenxian Yanjiushi (compilers), *Xin Shiqi Laodong he Shehui Baozhang Zhongyao Wenxian Xuanbian* (Selected Important Documents on Labor and Social Security in the New Era) (Beijing: Zhongguo Laodong Shehui Baozhang Chubanshe and Zhongyang Wenxian Chubanshe, 2002), pp. 318–27; Chen, "The Re-Employment Project"; Dorothy J. Solinger, "Path Dependency in the Transition to Unemployment and the Foundation of a Safety Net in China" (paper presented at the Ninety-ninth Annual Meeting of the American Political Science Association, Philadelphia, August 2003), pp. 12–13.

[28] Chen, "The Re-employment Project"; Edward X. Gu, "From Permanent Employment to Massive Lay-offs: the Political Economy of 'Transitional Unemployment' in Urban China (1993–8)," *Economy and Society* 28/2 (1999), pp. 281–99; Wang Chengying, *Zhongguo Zaijiuye* (Re-employment in China) (Chengdu: Sichuan Renmin Chubanshe, 1998); Yang Yumin, Wang Ping, and Guo Lei, "'Jiu Wu' Guoyou Qiye Gaige Huigu yu Sikao" (A Look Back at SOE Reform During the Ninth Five Year Plan and Some Thoughts), *Jingji Yaocan* 32 (2001), pp. 27–8.

[29] Beijing interviewees 5, 10, and 11.

[30] Li Bao and Xie Yongjun, "'Yinxing Shiye' yu 'Yinxing Jiuye'" ("Hidden Unemployment" and "Hidden Employment", *Zhongguo Laodong* 4 (1999), pp. 45–7.

[31] Renkou he Shehui Keji Si, "Xiagang ji Xiagang Tongji Yanjiu," p. 23.

than firms joining together to form sector-wide centers. The decision was attributed to the then Prime Minister Zhu Rongji[32] and announced after the May 1998 joint work conference. While the sector-based model of RSCs had worked well in Shanghai and other cities with many SOEs in each sector, it had foundered in smaller cities dominated by one or two large SOEs or with only a few firms in each of a handful of sectors.[33]

Upon registering with the RSC, workers received laid-off certificates, *xiagang zheng*, entitling them to benefit from preferential policies.[34] These policies varied by region, but often included tax breaks, subsidized loans, loan guarantees, additional forms of job placement assistance, and other social services.[35] Such benefits were more widely available in places where markets were relatively more developed and local governments' resources more abundant.

Shortcomings and abuses plagued the RSC system, however. Besides the problem of hidden employment, unclear accounting rules allowed for concealing unemployment through the RSC system. For example, in many localities, even where RSCs failed to accommodate many of the unemployed, only workers registered with an RSC and issued a *xiagang zheng* would be counted as laid off.[36] Worse, many RSCs were never

[32] M. Francis Johnston, "Elites and Agencies: Forging Labor Policy at China's Central Level," *Modern China* 28/2 (2002), p. 167; Zhu Rongji, "Guoyou Qiye Xiagang Zhigong Jiben Shenghuo Baozhang he Zaijiuye Gongzuo de Jige Wenti," speech given at the work conference, reprinted in *Xin Shiqi Laodong he Shehui Baozhang*, pp. 311–17.

[33] Elite interviewees 1, 2, 4, and 5; Benxi interviewees 40, 41, 47, 48, 63, and 64; Yu Faming and Ma Rong, "'3615' Zai Chuangye Gongcheng: Guanyu Guiyangshi Zuzhi Xiagang Zhigong Zai Jiuye de Diaoyan Baogao" ("3615" Re-creating Work Project: Investigative Research Report on the Re-employment of Laid-off Workers from Units in Guiyang City), *Zhongguo Laodong* 11 (1999), pp. 23–5; Edward S. Steinfeld, *Forging Reform in China: The Fate of State-Owned Industry* (Cambridge: Cambridge University Press, 1999), ch. 4.

[34] Beijing interviewees 2, and 12; Benxi interviewees 43, 46, 47, and 57; Datong interviewees 4, 6, 7, 12, 14, and 15; Harbin interviewees 3, 4, 18, and 19; Luoyang interviewees 2, 3, 15, 17, 20, and 23; Shanghai interviewees 12, 13, 14, and 19; Shenyang interviewees 3, 4, 7, 9, 10, 11, and 12; Zhengzhou interviewees 2, 3, 8, and 9; elite interviewee 4; Qian Linlao and Wang Shaodan, "Shilun dui Meikuang Xiagang Shiye Renyuan de Jiuye Yuanzhu" (Examination of Employment Aid for Laid-off and Unemployed Workers in Coal Mines), *Meitan Jingji Yanjiu* 2 (2002), pp. 57–8; Solinger, "Labour Market Reform," p. 313, and "Path Dependency in the Transition," pp. 13–14.

[35] State Council General Office, "Guowuyuan Bangongting Guanyu Xiagang Shiye Renyuan Congshi Geti Jingying Youguan Shoufei Youhui Zhengce de Tongzhi" (Notice of the State Council General Office Concerning Preferential Fee Collection Policies for Laid-off and Unemployed Personnel Going into Business as Entrepreneurs) (Document 57 of the State Council General Office, 2002).

[36] Benxi interviewees 44, 55, and 56; Datong interviewees 6 and 7; Luoyang interviewees 1, 5 and 23; Harbin interviewee 8. Such workers would sometimes be recorded (at least internally) in other less formal categories, such as "*li gang*" (departed from post). See Russell Smyth and Zhai Qingguo, "Economic Restructuring in China's Large and Medium-Sized State-Owned Enterprises: Evidence from Liaoning," *Journal of*

established, or languished with woefully inadequate funding, where firms and local governments could not contribute their one-third funding shares. Compounding the problem, the central government often refused to pay into RSCs lacking local financing out of frustration with what it saw as local governments' unwillingness – rather than genuine inability – to pay their fair share.[37] Many localities suffering under high rates of lay-offs thus had low rates of RSC entry.

The central state eventually tried to remedy these problems. Most importantly, it agreed to pay some portion or all of the one-third shares of local governments or firms in distress. But by 2000, the central government came to see the *xiagang* policy and RSC system as a general failure. Such a view is simplistic, however, as significant regional variation in outcomes could be observed. Among my case study cities, several distinct patterns were visible.

Impacts of xiagang *and RSC policies on laid-off workers in my case study cities*

In Shanghai, nearly all laid-off workers were placed on formal *xiagang* status, and a substantial majority (over 90 percent by most counts) entered RSCs.[38] Shanghai and other Central Coast cities, however, generally retained their sector-based model, with tacit approval from Beijing, never fully switching to enterprise-based RSCs.[39] Nearly all workers left the centers by 2002,[40] and well over half (around two-thirds by most estimates) were re-employed in some long-term capacity.[41]

Contemporary China 34/12 (2003), pp. 196–7; Robert P. Weller and Li Jiansheng, "From State-Owned Enterprise to Joint Venture: A Case Study of the Crisis in Urban Social Services," *China Journal* 43 (2000), p. 87.

37 Solinger, "Path Dependency," pp. 13–14; State Council General Office, "Guowuyuan Bangongting Guanyu Jin yi Bu Jiaqiang Chengshi Jumin Zui Di Shenghuo Baozhang Gongzuo de Tongzhi" (State Council General Office Notice Concerning the Strengthening of Work on Provision of Basic Livelihood Security to Urban Residents) (Document 87 of the State Council General Office, 2001); Beijing Interviewees 2, 3, 5, 8, and 11; Benxi interviewees 48 and 62; Datong interviewees 3 and 6; Harbin interviewees 4 and 10; Luoyang interviewee 26.

38 Shanghai interviewees 5, 12, and 13; *Zhongguo Laodong Tongji Nianjian*, various years; *Shanghai Tongji Nianjian*, various years.

39 Shanghai interviewees 3, 4, 6, 7, 13, 30, 31, 41, and 53.

40 A 2002 internal report claims that 985,000 *xiagang* workers in Shanghai had entered RSCs since 1996, and that of these, 957,000 (97 percent) had left under proper procedures (either by taking a new job or by using up their time and being assigned to street committees for welfare) by the end of July 2001. See Yin Jizuo, ed., *2002 Nian Shanghai Shehui Baogao Shu* (2002 Report on Shanghai Society) (Shanghai: Shanghai Shehui Kexueyuan Chubanshe, 2002), p. 120.

41 Even as early as 1998, around half of workers leaving RSCs in Shanghai were re-employed: Chen, "The Re-employment Project," pp. 186–7.

Shanghai was touted as a model for the rest of the country and local officials boasted that they had nearly solved the city's unemployment problems.[42]

Shanghai's success was largely attributable to practices impracticable outside Central Coast cities with abundant resources. Several officials noted that RSCs and district governments in the city made use of substantial tax breaks and, especially, small business start-up loans (at little or no interest) to help laid-off workers become entrepreneurs, stressing that this was a policy no other city could likely implement on such a scale. A number of self-employed former workers also credited these programs for their success.[43] Finally, Shanghai managed to smooth the entry of many laid-off workers into private firms by ruthlessly restricting migration into the city from the countryside and earmarking many low-end jobs – notably as maids, taxi-drivers, and childcare workers – for the laid-off.[44]

RSCs were a modest success in Chongqing. Roughly half of laid-off workers entered RSCs. Most of these received basic living allowances, and more than half were re-employed in some capacity by 2003, many as entrepreneurs.[45] Like Shanghai, Chongqing quickly closed many of its RSCs in the years after 2000 and transferred many, if not most, workers either to registered unemployed status or into employment.[46]

Preferential policies were also reasonably effective in Chongqing. As one interviewee said, "without the preferential policies given to me by the city government, I would never have been able to start my shop and

[42] Beijing interviewees 2 and 11; Shanghai interviewees 4, 6, 10, and 11.

[43] The pattern of entrepreneurialism and the advantages for cadres in becoming entrepreneurs (which will be discussed in Chapter 4), were already present in Shanghai in the first half of the 1990s: Deborah S. Davis, "Self-Employment in Shanghai: A Research Note," *China Quarterly* 157 (1999), pp. 22–43.

[44] Shanghai interviewees 1, 4, 10, and 13; Chen, "The Re-employment Project," pp. 181–2. The effectiveness of such programs has been called into question, however: Li Qiang *et al. Yinyou yu Xiwang: Zhongguo Shehui Nian Bao* (2001 Nianban) (Hidden Distress and Hope: Yearly Report on Chinese Society, 2001 edition) (Lanzhou: Lanzhou Daxue Chubanshe, 2001), especially the section "Chengmen Shifou Guan de Zhu?" (Are the City Gates Closed Firmly or Not?), pp. 380–1.

[45] Yu Ping, "Miandui Xiagang Zaijiuye: Zhengfu Ruhe You Suozuowei? Dui Chongqingshi Xiagang Zhigong Zaijiuye Shijian de Tansuo yu Sikao" (Confronting Lay-offs and Re-employment: How can the Government Take Any Action? Thoughts on and Probing of the Re-employment Practice of the Laid-off Workers of Chongqing City), *Gaige* 1 (2003), pp. 90–6; Tao Chunfang and Fan Aiguo, *Zhimian Xiagang* (Face Down Lay-offs) (Beijing: Dangdai Zhongguo Chubanshe, 2001), p. 208; Chongqing interviewees 34, 35, 37, 38, and 40.

[46] Zhang Guosheng, Qi Hui, and Zhao Donghui, "'Bing Gui' zhi Nian: Hua Xiagang: Laizi San Sheng Shi de Baogao" (The Year of "Merging Tracks": Speaking of *Xiagang*: Reports from Three Cities and Provinces), *Banyuetan* (Neibu Ban) 5 (2001), pp. 48–51; Chongqing interviewees 36 and 39.

keep it open for the first year or two when I was losing money. Even now, I save over Y300 [roughly $44] per month in fees and taxes because I have a *xiagang zheng*. It is too bad this assistance will end after one more year."[47] Several other interviewees in Chongqing gave similar credit to these policies.[48]

In Benxi, only a minority of laid-off workers received formal *xiagang* status.[49] Even of these, only a small percentage registered with the city government's "career introduction center."[50] Local officials went so far as to claim that there was never a single RSC (as properly defined) in Benxi.[51] It appears that roughly one-quarter of laid-off workers in Benxi found some sort of long-term work, mostly through self-employment.[52]

Datong and Luoyang resembled Benxi in several important respects. Workers laid off from very large SOEs – such as coal mines – in these two cities, however, entered RSCs in large numbers.[53] Workers from other firms often lacked opportunities to enter RSCs.[54] Across Shanxi Province (where Datong is located), more than 70 percent of laid-off workers came from financially distressed firms, and SOEs overall were able to meet only about half their required contributions to RSC funding, hampering access.[55] Somewhere likely between one-third and one-half of laid-off workers in these cities eventually found re-employment, many as entrepreneurs.[56]

The situation was different in many provincial capitals across China's coal and rust belts. Preferential policies there seemed to serve workers much better than in other cities across North-Central and Northeastern China, where they were rarely implemented. Harbin, for example,

[47] Chongqing interviewee 10. [48] Chongqing interviewees 5, 17, 19, and 23.
[49] Benxi interviewees 39, 42, 45, 47, 52, 53, 56, and 63. This practice was quite common in many cities; see Smyth and Zhai, "Economic Restructuring."
[50] Author's visits to Center in 2000 and 2001; Benxi interviewees 44, 45, 57, and 62.
[51] Benxi interviewees 49, 50, 51, 54, and 57.
[52] Similar patterns likely extended to other Northeastern cities, though Benxi, as of 1997, had the highest rate of lay-offs of the fourteen cities in Liaoning: Qin Ling, Chen Dejun, *et al.*, *Liaoning Zhongbu Chengshiqun de Shehui Fazhan* (The Social Development of the Urban Masses in Central Liaoning) (Beijing: Jingji Kexue Chubanshe, 2001), p. 129.
[53] Datong interviewees 1, 2, 3, 4, 6, and 7; Luoyang interviewees 1, 2, 4, 23, and 25.
[54] Luoyang interviewee 23; Datong interviewees 6 and 7.
[55] Shanxi Sheng Zhengfu Guoyou Qiye Gaige yu Fazhan Disi Diaoyan Zu "Guanyu Quan Sheng Jianyuan Zengxiao, Zaijiuye he Shehui Baozhang Gongzuo de Diaocha Baogao" (Investigation Report on Province-wide Work on Reducing Staff to Increase Efficiency, Re-employment, and Social Security), in Sun Fanzhu *et al.*, eds., *Shanxi Laodong Baozhang Zhengce Zhinan* (Guide to Shanxi Labor Protection Policies) (Beijing: Zhongguo Laodong Baozhang Chubanshe, 2001), p. 345.
[56] Again, across Shanxi Province, overall re-employment rates of laid-off workers were 55 percent in 1998 and 32 percent in 1999. Of those re-employed, at least 34 percent were working as entrepreneurs: ibid., p. 343.

instituted a program providing interest-free loans, tax breaks, and other incentives to laid-off workers, many of whom opened small businesses after losing their jobs.[57] Some workers in Zhengzhou tapped into similar, though smaller, programs.[58] Even Shenyang, a popular focal point in the bleak employment landscape of the Northeast, offered interest-free loans to at least some workers who established successful small businesses.[59]

Overall, at least four patterns can be discerned. In Central Coast cities with high fiscal capacity and flourishing job markets, RSCs succeeded in both ensuring the short-term subsistence of laid-off workers and placing them in long-term jobs. In Upper Changjiang cities with weaker capacity and less vibrant labor markets, RSCs were a more measured success. A similar pattern seemed to hold across Northeastern and North-Central provincial capitals. Across the rest of North-Central China, where local states were weak and resources were distributed unevenly across sectors, RSCs were able to serve those laid-off from large firms in sectors like mining better than their counterparts from small companies and sectors like textiles. Finally, in the Northeast, weak states and failing firms often failed even to establish RSCs, and those that were set up were not generally very effective.

Variation in local state capacity was critical in producing different outcomes across regions. City governments usually failed to provide mandated subsidies or preferential treatment because they genuinely lacked funds or resources (rather than just the political will).[60] Several officials also spoke of widespread ignorance or misunderstanding among laid-off workers of the policies in place to help them, which could be overcome only with aggressive and costly information campaigns.[61] Though RSCs were successful in some regions, the central government worried about lagging aggregate rates of re-employment.[62] By 2000, central officials admitted publicly that at most only about 35 percent of workers who entered RSCs were being re-employed.[63] A state-based

[57] Harbin interviewees 2, 5, 6, 7, 8, 9, 11, 14, and 15.
[58] Zhengzhou interviewees 5, 6, and 9. [59] Shenyang interviewee 6.
[60] *Lingdao Juece Xinxi* Editorial Board, "Ruhe Jiejue Xiagang Zhigong Zaijiuye Wenti" (How to Resolve the Problem of Re-employing *Xiagang* Workers), *Lingdao Juece Xinxi* 14 (2001), pp. 8–11.
[61] Harbin interviewees 4 and 6; Shanghai interviewees 5 and 13; Zhengzhou interviewee 1.
[62] On some of the problems, see Jaeyoun Won, "Withering Away of the Iron Rice Bowl? The Re-employment Project of Post-Socialist China," *Studies in Comparative International Development* 39/2 (2004), pp. 74–80.
[63] Xiao Zhenbang, "Tuoshan Jiejue Xiagang Zhigong yu Qiye Jiechu Laodong Guanxi Wenti, Qieshi Weihu Zhigong Duiwu he Shehui Zhengzhi Wending" (Properly Solve the Problems of Laid-off Workers and Enterprises Cutting Off Labor Relations,

system that could smooth regional, sectoral, and work unit inequalities was seen as the answer.

State-based policies

As the enterprise-based *xiagang* system was being phased out, experimental state-based programs were initiated to accommodate workers leaving RSCs. In Shanghai, beginning in late 2001, a new comprehensive social security system was rolled out, providing coverage of healthcare, pensions, unemployment benefits, and anti-poverty subsidies for all needy residents. Several interviewees in the Shanghai municipal government admitted, however, that the program's costs were extremely high.[64] At least two State Council officials went so far as to say that it was "fundamentally impossible" (*genben bu keneng*) to apply the Shanghai model of comprehensive social security almost anywhere else due to insufficient funds.[65]

Another experiment was launched in late 2000 in Liaoning Province. This program was meant to provide several types of workers' "insurance" – covering healthcare, pensions, and unemployment. Most attention and funding focused on pensions and healthcare. But, for laid-off workers, two other elements were key. First, as of 2001, all laid-off workers not yet re-employed were to be covered by unemployment insurance paid for by firms in partnership with local governments. Second, all urbanites whose overall incomes fell below locally established poverty lines (especially those from outside the state sector, from bankrupted firms, or otherwise unable to obtain unemployment insurance coverage) would be offered cash subsidies under the government-funded minimum livelihood guarantee (*zuidi shenghuo baozhang*, or "*dibao*") program.[66]

Both the Shanghai and Liaoning experiments were hailed as potential national models. Liaoning's pension-pooling system was adopted as national policy. The unemployment insurance system, however, did not

Realistically Protect Rank and File Workers and Society's Political Stability), *Gonghui Gongzuo Tongxun* 9 (2001), p. 6.

[64] Shanghai interviewees 2 and 5. [65] Beijing interviewees 2 and 11.

[66] Li Xiyuan, Chen Mengyang, and Fang Lei, "Liaoning 'Shidian' Shebao yu Qi Shiye Danwei Tuogou" (Liaoning's "Experimental" Social Insurance and Getting Enterprises and Organizations Off the Hook), *Liaowang* 10 (2000), pp. 23–4; Anonymous, "Liaoning Qidong Shebao Shidian" (Liaoning Starts its Social Insurance Experiment), *Renmin Luntan* 8 (2001), pp. 17–18. On shortfalls and adjustments to the program, see Wang Ou and Chen Lian, "Ren Zhong er Dao Yuan" (The Burden is Heavy but the Road is Long), *Liaoning Jingji* 6 (2002), pp. 4–5.

provide effective assistance to many laid-off workers.[67] Much more important for the unemployed was the expansion of the *dibao*. Through this expansion the Chinese government sought to create a state-based universalist, though means-tested, nationally coordinated welfare system. The *dibao*, in existence since the mid 1990s, but revamped and greatly expanded in 2001, was intended to become the main form of poverty relief for all urban and rural residents in the twenty-first century.[68]

In September 2004, the State Council gave its imprimatur to a hybrid blend of the Liaoning experimental system and the Shanghai initiatives. In an attempt to advocate for a national social insurance system, it issued a public "White Paper on the Social Security Situation and Policies."[69] The new system was to cover pensions, unemployment insurance, re-employment assistance, health insurance, workplace injury insurance, maternity care insurance, comprehensive social welfare (including the *dibao*), housing subsidies and guarantees, and veterans' benefits for all urban residents, regardless of work unit or locality. Some of these benefits were also to be extended to rural residents on a much more limited basis.[70] The various programs were to be funded through enterprise, local government, and central government contributions – much as the RSCs had been.

Still, with the other insurance schemes largely ineffective as of 2008, the *dibao* was the main program for many laid-off workers. Under the *dibao*, the Ministry of Civil Affairs, through local civil affairs bureaus (*minzhengju*), provided cash subsidies each month to indigent households in an amount set according to "local conditions." Assistance was limited and varied greatly from place to place. In 2002, Nanhai city in Guangdong Province had the highest monthly payout in China of Y320 ($46.65), while the most meager subsidies (of just Y52 – $7.58 – per month)

[67] See, e.g., Wei Jianwen, "Xiagang Baozhang xiang Shiye Baoxian Binggui de Sikao" (Thoughts on Laid-off Workers' Protection Merging Tracks with Unemployment Insurance), *Zhongguo Laodong* 1 (2002), pp. 16–17.

[68] Tang Diaodeng, *Zhongguo Chengshi Pinkun yu Fan Pinkun Baogao* (Report on Poverty and Anti-Poverty in Urban China) (Beijing: Huaxia Chubanshe, 2003), pp. 267–84.

[69] Guowuyuan Xinwen Bangongting, "Zhongguo de Shehui Baozhang Zhuangkuang he Zhengce: Baipi Shu" (China's Social Security Situation and Policies: A White Paper), (http://news.xinhuanet.com/zhengfu/2004-09/07/content_1952488.htm, accessed January 22, 2007).

[70] In a major step beyond the White Paper, a rural work conference, "recently concluded" as of January 2007, decided on a goal of extending the minimum livelihood guarantee into a nationally uniform social benefit to include all rural residents: www.ncn.org/asp/zwginfo/da.asp?ID=70517&ad=1/3/2007 (accessed January 22, 2007).

were paid in Lingshui County, in Hainan Province – a more than six-fold difference.[71] Payments also did not always reach their intended recipients, as shortages and other problems undercut the system.[72] It is not particularly surprising, therefore, that I did not uncover documentation or interviewee accounts of laid-off workers in Datong, Luoyang, or Benxi regularly receiving the *dibao*. Instead, more *ad hoc* arrangements seem to have predominated.[73]

Despite persistent gaps, it is clear that the *dibao* has been meaningfully expanded. It is highly likely that other social insurance programs will also begin to cover large numbers of laid-off workers in the near future, as they make increased use of pooled contributions. These are gathered mainly from groups of enterprises and secondarily from groups of local governments, then supplemented by newly generous central government subsidies,[74] to forge more unified and comprehensive programs of social protection. As widespread pooling only really began in 2006, it is still too soon at the time of writing (2008) to assess the progress it has fostered. Unless the central state steps into a leading role, however, it is unlikely that even province-level pooling of contributions could completely overcome lingering regional gaps in the business environments of firms and the capacities of local governments.

[71] Tang, *Zhongguo Chengshi Pinkun*, p. 271. By way of comparison, Shanghai had a standard subsidy of Y280 per month, and Chongqing of Y169 per month; ibid., p. 46.

[72] Solinger, "Path Dependence," pp. 17–18; Guowuyuan Fazhan Yanjiu Zhongxin, "Jin yi Bu Wanshan Chengzhen Shehui Baozhang Tixi: Liaoning Sheng Shidian Gongzuo Diaocha Baogao" (Take a Step toward Perfecting the Social Protection System in Cities and Towns: An Investigative Report on Liaoning Province's Experimental Work) (Document 235 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2002); "Zhongguo Chengshi Pinkun Wenti Yanjiu" (Research on Problems of Urban Poverty in China) (Document 137 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2002); Wang Zhikun, "Wanshan Zhidu, Yingbao Jinbao: Guanyu Chengshi 'Dibao' Wenti de Jidian Sikao" (Perfect the System, Protect Fully What Ought to be Protected: Some Thoughts on Problems with the Urban "Minimum Guarantee"), *Jingji Yaocan* 40 (2002), pp. 24–8.

[73] For instance, after Benxi miners staged a large protest in June 2000, they received subsidies of between Y120 and Y140 ($17.50–$20.40) per month (they had gotten nothing before their protest) from the city's civil affairs bureau, but only "when funds were available."

[74] Prime Minister Wen Jiabao proclaimed that the 2006 central government subsidies for re-employment programs alone would reach a new high of Y25.1 billion ($3.65 billion): Wen Jiabao, *Zhengfu Gongzuo Baogao: 2006 Nian 3 Yue 5 Ri zai di Shi Jie Quanguo Renmin Daibiao Dahui di Si Ci Huiyishang* (Government Work Report: from the Fourth Plenum of the Tenth National People's Congress, March 5, 2006) (Beijing: Renmin Chubanshe, 2006), p. 30.

Informal initiatives

Both local governments and enterprises experimented with a variety of informal initiatives. These served multiple purposes. Many were designed to conceal lay-offs, to either move the unemployed out of work units or keep workers tied to them, or simply to provide additional mechanisms for welfare assistance or re-employment when official programs did not fill the need. This section outlines enterprise initiatives and local government initiatives in turn.

Enterprise initiatives

In the Northeast, most workers laid off between 1980 and 1997 were classified according to some variation of informal, but increasingly quasi-formalized, "long vacation," in a last-ditch effort to cut costs in firms facing rapidly deteriorating business environments. Often called literally *fang chang jia*, this framework was also known by other names, notably *liang bu zhao* (mutual avoidance or, literally, "neither side looks for the other").[75] Under these arrangements, workers were placed on indefinite unpaid leave. Enterprises provided no benefits to workers on leave and made no pension or insurance contributions on their behalf. Both managers and workers saw these leaves as temporary – though some workers I interviewed in the Northeast as late as 2001 or 2002 had been on continuous "vacation" since the 1980s.

Many Central Coast workers opted for an informal package that became known as *ting xin liu zhi* (stop the wages, keep the position). Workers agreed to forfeit SOE wages, while their work units retained their places for them should they return to their jobs, which few did. With few involuntary lay-offs before the late 1990s, this allowed Central Coast workers to take advantage of early market opportunities, becoming entrepreneurs or moonlighting in the growing private sector.[76] The exodus continued during the 1990s in both Central Coastal cities and some provincial capitals, with *ting xin liu zhi* offering a convenient path to the market that preserved some vestige of work unit security.

Many Upper Changjiang workers were cajoled or coerced into accepting *ting xin liu zhi* status if they were known to be moonlighting at all. Moonlighting was widespread in many sectors and localities (one of

[75] Bo Shunyang, "Shuo Shuo 'Liang Bu Zhao'" (Talking about "Liang Bu Zhao") *Laodong Neican* 11 (1998), pp. 46–7.

[76] Ching Kwan Lee, "The Labor Politics of Market Socialism: Collective Inaction and Class Experiences among State Workers in Guangzhou," *Modern China* 24/1 (1998), pp. 11–13.

my interviewees estimated, for example, that 40 percent of electricians in Chongqing were moonlighting by 1990).[77] *Ting xin liu zhi* workers with little income from moonlighting faced similar pressures to those on involuntary long vacation. In theory, however, moonlighters were allowed extended leave to pursue outside activities, not being sloughed off by insolvent employers.

Retirement schemes (particularly for older workers) were attractive to SOEs that could afford them during the 1980s and early 1990s. Early retirement, *tiqian tuixiu*,[78] became a key method for reassigning workers who might otherwise have been laid off. Also used along the Central Coast, in some provincial capitals, and in some company towns, was "internal retirement," *neibu tuixiu*. Internally retired workers remained in their work units, but were paid out of pension funds rather than the wage pool.[79] Retirements reduced wage bills and brought increased government subsidies earmarked for retirees and pensions.[80] Retirement schemes were rarely used in the Northeast, however, where pension problems surfaced early.[81] They lost popularity across all of China after a generalized urban pensions crisis became apparent to managers and officials in the mid 1990s.[82]

[77] Chongqing interviewee 28. Percentages of moonlighters were apparently similar in other skilled trades: Chongqing interviewees 25, 29, and 30.

[78] Li Shuntong, "Guanyu Wo Sheng Guoyou Qiye Xiagang Zhigong Jiben Shenghuo Baozhang he Zai Jiuye Gongzuo de Silu yu Duice" (Regarding Lines of Thinking and Policies in Response to the Work of Promoting the Basic Livelihood and Re-employment of Laid-off Workers in SOEs in Our Province), *Qian Jin* 7 (1998), pp. 18–21.

[79] Dorothy J. Solinger, "Why We Cannot Count the 'Unemployed'," *China Quarterly* 167 (2001), pp. 671–88; Yu Faming, *Xiagang Zhigong Laodong Guanxi Wenti Toushi: Ruhe Jiejue Xiagang Zhigong Chu Zaijiuye Fuwu Zhongxin de Wenti* (Perspectives on the Problems of Labor Relations of Laid-off Employees: How to Address the Problems Posed by Laid-off Employees Leaving the Re-employment Service Centers) (Beijing: Jingji Kexue Chubanshe, 2000), p. 114.

[80] On replacement rates, see Nicholas Lardy, *China's Unfinished Economic Revolution* (Washington, DC: Brookings Institution Press, 1998), p. 45; Martin King Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984), p. 73. On funding issues, see "Chengzhen Yanglao Baoxian Zhidu de Xianzhuang ji Wenti" (The Present Situation and Problems of the Retirement Insurance System in Cities and Towns) (Document 115 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 2000); Mark W. Frazier, "After Pension Reform: Navigating the 'Third Rail' in China," *Studies in Comparative International Development* 39/2 (2004), pp. 45–70.

[81] Sarah Cook, "Readjusting Labour: Enterprise Restructuring, Social Consequences, and Policy Responses in Urban China," in Malcolm Warner, ed., *Changing Workplace Relations in the Chinese Economy* (New York: St. Martin's Press, 2000), pp. 227–46; and Loraine A. West, "Pension Reform in China: Preparing for the Future," *Journal of Development Studies* 35/3 (1999), pp. 153–83.

[82] Yao Peidong, "Wanshan Shehui Baozhang Tixi, Tuijin Laonian Guanli Shehuihua" (Perfect the Social Security System, Push Forward the Socialization of the Management of Old People), *Shichang yu Renkou Fenxi* 7/3 (2001), pp. 58–60; Solinger,

Yet another classification of surplus workers was *daigang*, "waiting for a post." This was meant for workers whose positions had been eliminated and for whom no new positions were available, and was common in North-Central China and the Upper Changjiang before 1997. *Daigang* workers remained official employees, waiting to be reassigned within the work unit. They drew minimal salaries and benefits when firms could afford them. This was really a form of lay-off in all but name, as *daigang* workers were rarely able to return to their units. Two similar mechanisms, *lungang* (rotating posts) and *zhuan'gang* (changing posts), were close variants of the *daigang* idea and produced similar results.

Buyouts, *maiduan gongling*, actually severed formal labor relations with the laid-off workers who accepted them. This mechanism was popular in larger firms with more favorable business environments from the mid 1990s through 2008. Bought-out workers were given one-time severance payments, usually based on their years of employment (*gongling*). Some were permitted or compelled to purchase pension or health insurance with part of their settlement money. Upon accepting *maiduan gongling*, a worker forfeited any future claim to money or benefits from the enterprise. Many officials and scholars criticized buyouts, beginning in the late 1990s. As one Shanxi provincial labor official quipped, "They say it is 'buying out,' but actually it is 'buying' without getting 'out' of anything."[83] Indeed, bought-out workers frequently returned to petition their old work units for additional payments or benefits after their initial settlement monies ran out.[84]

Sending surplus workers to collective sector spin-offs, *fenliu dao jiti qiye*, avoided formal lay-offs and reduced enterprise costs, since collective sector employees were not eligible for most SOE benefits. This practice seems to have been particularly prevalent in large SOEs,[85] often the only units able to establish spin-offs – frequently located within factory grounds.[86] Spin-offs also allowed managers of closely monitored enterprises to conceal the number of workers being laid off.[87]

In one vivid example, a Benxi manager created a bakery to employ female workers from his subsection of a large factory. He did this in the

"Labour Market Reform," p. 324; and William Hurst and Kevin J. O'Brien, "China's Contentious Pensioners," *China Quarterly* 170 (2002), pp. 345–60.

[83] Li, "Guanyu Wo Sheng Guoyou Qiye," p. 20.

[84] As they loudly and famously did in Daqing in March 2002.

[85] Beijing interviewee 2; Benxi interviewees 43, 44, 47, 50, 56, and 62; Harbin interviewees 1, 5, and 6; Datong interviewees 6 and 7; Luoyang interviewee 25; Shanghai interviewees 1 and 2.

[86] Qian and Wang, "Shilun dui Meikuang."

[87] Benxi interviewee 43, Luoyang interviewee 24; Shanghai interviewees 44, 46, 47, 48, 49.

late 1980s, in anticipation of increased job cuts to come. For the first eight years, the bakery lost money. During this time, the manager funneled money, meant for employee welfare benefits and capital improvements in the mainline factory, into subsidizing the bakery. Eventually, the bakery became profitable, absorbing nearly all female employees from his section (some of whom apparently earned higher incomes at the bakery than they had in the factory),[88] which later laid off nearly all its workers.[89]

Besides its discriminatory hiring policies (men were been deemed "not suited" to working there),[90] the bakery is notable for other reasons. It succeeded over the long term, while many collective spin-offs failed. The manager who established it also took risks and bent rules to ensure its success. Despite this, he explained his strategy as a hedge against the charge that his work unit released workers with no welfare at all. Indeed, similar early attempts to re-employ laid-off women in clothing stores, print shops, convenience stores, and even auto repair shops, established in a manner much like the bakery, gained widespread attention and praise.[91]

Perhaps the most peculiar of informal enterprise initiatives was a policy known as "agreed retention," *xieyi baoliu*, which surfaced in 2001. Under this program, *xiagang* workers agreed to leave their RSCs and never to return to their old work units, while work units promised to provide health insurance, pensions, and other benefits in perpetuity.[92] The aim of *xieyi baoliu* was to coax laid-off workers to venture out of RSCs so that the latter could be formally closed down in accordance with central instructions, even though the mechanism vitiated these directives by extending key RSC benefits indefinitely. Official estimates in 2002 claimed that approximately 50,000 Shanghai workers had

[88] Benxi interviewees 34, 35, 36, 37, 38. [89] Benxi interviewee 44.

[90] This policy is discriminatory both against men, who were thrown out on the street when they lost their factory jobs, and against women, who were sent in large numbers to work in the bakery with low wages and no benefits throughout the 1990s while most of their male colleagues were retained in the factory. In fact, uneven re-employment results for men and women have become a major issue in China in recent years. At least one internal official source speaks of a special category, "*nü gong jia*" (female workers' leave) for dismissing women from SOEs: Guowuyuan Fazhan Yanjiu Zhongxin, "Shenyang Shuibeng Chang Qiye Gaige yu Xiagang Zhigong Wenti Diaocha" (Investigation into the Shenyang Water Pump Factory's Problems with Reform and Laid-off Workers) (Document 84 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 1999).

[91] See, e.g., Qi Ming, "Neimenggu Dianjian Yi Gongsi Xiagang Zhigong Chuangxin Ye" (Inner Mongolia's Number One Electrical Construction Company, Creating New Work for Laid-off Workers), *Gongren Ribao*, January 18, 1995.

[92] Yin Jizuo, ed., *2002 Nian Shanghai Shehui Baogao Shu* (2002 Report on Shanghai Society) (Shanghai: Shanghai Kexueyuan Chubanshe, 2002), pp. 121–2.

accepted *xieyi baoliu* status.[93] While the scheme was most clearly visible in Shanghai, it likely extended throughout much of the Central Coast and possibly to other regions where SOEs had sufficient funds.

Local government initiatives

Perhaps the easiest local government initiative to implement was to allow city-wide organizations – like the Trade Union or the Women's Federation – to set up and run their own training and placement centers. These centers often were established when formal RSCs had failed to bridge the gap. Some cities, notably provincial capitals like Wuhan and Harbin, experimented with such schemes, though it is not clear how many cities adopted these types of policies.[94]

From the late 1980s through at least 2007, cities lacking strong private sectors and with few entrepreneurial opportunities often tried to create new "state-driven"[95] sectors to absorb laid-off workers. These amounted to attempts to manufacture market opportunity through public spending. These new sectors sometimes had jobs earmarked for laid-off workers. Other times, managers in the new sectors were given strong incentives to hire them. Some cities even established new companies specifically to absorb laid-off workers. For example, several Harbin SOEs and military units came together to create the "*Harbin Ba Yi* Taxi Company".[96] All jobs driving and maintaining its fleet of army-green Xialis, Ladas, and Citroëns were set aside for demobilized soldiers and laid-off veterans.[97] Overall, it seems that success in this kind of re-employment initiative varied significantly across regions and localities.

Large commercial centers and provincial capitals – like Harbin, Chongqing, and Shenyang – had some success in establishing high-technology sectors,[98] but the number of SOE workers re-employed was relatively small. Government-financed drives to develop service sectors like tourism absorbed more workers. Such schemes were considered within the bounds of central exhortations to "develop tertiary industry"

[93] Ibid., p. 122.
[94] Harbin interviewees 3 and 4; communication with Dorothy Solinger regarding her research in Wuhan, 1998–2002.
[95] I say "state-driven" rather than "state-owned" because, both in the ideal vision of the state and often in reality, most units in these new sectors were not state-owned, although the sectors themselves would not exist without state investment and initiative.
[96] *Ba Yi* – August 1 – is the founding date of the PLA and the term is often used in China in reference to all things military.
[97] Harbin interviewees 20 and 21.
[98] Xi'an and Chengdu have also notably succeeded in this endeavor.

(*fazhan di san chanye*) to create jobs.[99] At least some local officials saw this as the state's responsibility to the urban proletariat: "If we cannot keep workers in their work units, at least we ought to try to secure jobs for them in a new sector. This is our responsibility to them," said one municipal official in Harbin.[100] Accordingly, he claimed, over one-third of the jobs related to Harbin's famous Great Ice and Snow World (*Bingxue Da Shijie*) annual winter festival were reserved for laid-off workers and demobilized soldiers.

Other cities like Datong and Luoyang also made progress with such arrangements. Local governments drove the development of Buddhist cave complexes at the *Longmen Shiku* and *Yungang Shiku* into major tourist sites.[101] These generated booms in tourism and services that provided opportunities to many laid-off workers. Even Benxi wanted to launch a similar program. The local government tried to develop and promote the "Water Cave" (*Shuidong*) outside town. The cave was indeed an impressive sight, containing what was claimed to be the world's longest navigable subterranean river lined with rock formations, which were illuminated by theatrical lights and labeled as resembling animals and mythological creatures. The Water Cave was meant to fuel growth in tourism and related services, perhaps even sufficiently to provide jobs for half of Benxi's younger laid-off workers.[102] The project, however, was not very successful. The Water Cave itself dismissed half its workers between 1998 and 2001.[103] Overall, tourism and services continued to account for a small proportion of Benxi's economy – less than 15 percent by official estimates.[104]

Many localities went further with informal programs for workers' re-employment and welfare assistance. Sub-municipal governments (usually street committees)[105] provided hidden, even technically improper, subsidies to laid-off workers. They paid utility bills or catastrophic medical benefits for laid-off workers in housing blocks under

[99] This practice has been criticized for failing to recognize other potential outlets, such as agriculture, for re-employment of laid-off workers: Zeng, "Ji ge Buliang Qingxiang," p. 31; Qian and Wang, "Shilun dui Meikuang Xiagang Shiye Renyuan de Jiuye Yuanzhu," pp. 57–8.

[100] Harbin interviewee 8.

[101] Luoyang interviewees 27 and 28; Datong interviewees 3 and 4.

[102] Benxi City Tourism Bureau, "Benxi Luyou Fu Pin, Fu Min Gongcheng Silu yu Duice" (Thoughts and Policies on the Project of Benxi Tourism Aiding the Poor and Enriching the Masses) (document in the *Shi Wu Qijian Fazhan Zhanlue* series of the Benxi City Government, 2001).

[103] Benxi interviewee 43.

[104] *Benxishi Tongji Jiliao* (Beijing: Zhongguo Tongji Chubanshe, various years).

[105] Benjamin L. Read, "Democratizing the Neighbourhood? New Private Housing and Home-Owner Self-Organization in Urban China," *China Journal* 49 (2003), pp. 31–60.

their jurisdictions.[106] They sometimes even provided direct cash transfers.[107] Some also provided re-employment in street-level "social service" schemes.[108] Informal street committee subsidies and benefits seemed most common where formal institutions did not meet all workers' needs, but where sufficient resources were available to prevent local governments from being fiscally overwhelmed. Among my research sites, street committee welfare schemes appeared most prevalent in Chongqing and in the provincial capitals of Shenyang, Harbin, and Zhengzhou.

Several interviewees interpreted the selective provision of benefits, without formal gate-keeping procedures, as a violation of regulations on street committee conduct (at least as of 2002, though this also appears to have been changing more recently).[109] Many street committee leaders, apparently, felt it better to risk small breaches of the rules than to become known as a neighborhood where numerous laid-off workers lived with no welfare at all. One interviewee suggested that the only thing that could get her into trouble with higher officials would be a protest or riot by laid-off workers, and that while informal welfare schemes may not prevent such an event, the fact that they had existed might mitigate the consequences if disturbances were to occur.[110] Indeed, some such programs gained official stature under the central agenda of building up urban communities (*shequ*) as delivery points for social services after 2003.

Conclusion: remaking or unmaking the Chinese welfare state?

Was China transitioning from one welfare model to another, or simply in the process of dismantling what socialist welfare state it once had? More importantly, were there any coherent overarching trends in Chinese welfare reform between roughly 1990 and 2008?

Looking back, Chinese welfare reform prior to 1990 emphasized decentralization and extremely limited marketization. This widened urban–rural divides, but protected SOE workers and other urban residents from emergent market forces and risks.[111] By 1999, Elizabeth

[106] Some street committees even "hired" laid-off workers as a way of making hidden transfers to them: Yu and Mo "'3615' Zai Chuangye Gongcheng: Guanyu Guiyangshi Zuzhi Xiagang Zhigong Zai Jiuye de Diaoyan Baogao."
[107] Chongqing interviewees 53 and 54.
[108] Chen, "The Re-employment Project," p. 185.
[109] Chongqing interviewees 40, 53, and 54; Zhengzhou interviewees 16, 17, and 18.
[110] Chongqing interviewee 53.
[111] Deborah Davis, "Chinese Social Welfare: Policies and Outcomes," *China Quarterly* 119 (1989), pp. 577–97.

Croll concluded that continuing reform had shifted responsibility for urban residents' welfare from enterprises to local governments.[112] Chinese welfare's continuing urban bias and contrasts with post-communist Europe have also been apparent up through 2008.[113]

But, especially after 2004, a third trend was visible. Central leaders increasingly called on agencies and localities to aggregate all individuals entitled to welfare assistance into broader categories – for instance, "the urban poor." This was an attempt to move away from the old socialist model of a "cellular welfare state" with different programs and policies for different groups administered through self-contained enterprises. It was also an effort to create a new universalistic welfare system that brought all recipients under a common state umbrella as outlined above.

Implementation of the broad new welfare programs, however, remained rooted in planning-era habits. As Dorothy Solinger argued, "Path-dependent tactical modalities . . . can accompany and interact with seismic switches in state mission . . . [and] in China the pressures, practices, and postulates of the market . . . have so far mainly served to aggravate and exacerbate tactical administrative routines and usages long in place."[114] Chinese welfare reform never fully abandoned the plan or embraced the market. Rather, it groped uncomfortably between fading and inchoate production and welfare state regimes. The welfare system as envisioned by Beijing thus had generally limited but quite varied impact on workers' lives and livelihoods.

In such an unsettled central policy environment, regional differences spawned what could be characterized as subnational welfare states within China. As they sought to remake an enterprise-based particularistic socialist welfare system and create a new universalistic and market-liberal welfare state, Chinese local governments were constrained especially by patterns of central–local relations and diverging levels of local state capacity. While many central initiatives, and some significant supplementary policies, were generally well implemented on the Central Coast, informal mechanisms often had to fill gaps in much less comprehensive systems of social protection in Upper Changjiang and North-Central cities. Precisely where assistance was often most

[112] Elizabeth J. Croll, "Social Welfare Reform: Trends and Tensions," *China* Quarterly 159 (1999), pp. 694–6.

[113] Jane Duckett, "China's Social Security Reform and the Comparative Politics of Market Transition," *Journal of Communist Studies and Transition Politics* 19/1 (2003), pp. 80–101; Stephen Haggard and Robert B. Kaufman, "Introduction," in Kornai, Haggard, and Kaufman, eds., *Reforming the State: Fiscal and Welfare Reforms in Post-Socialist Countries* (Cambridge: Cambridge University Press, 2001), pp. 1–21.

[114] Solinger, "Path Dependence," p. 96.

desperately needed, in the Northeast, central programs often failed to reach many workers.

Uneven implementation and divergent results are, of course, not unique to Chinese welfare reform. Scholars of American politics have often pointed out that federal policies yield very different outcomes when applied by state or local authorities with divergent interests, goals, and resources.[115] Likewise, most Chinese central policies have always been implemented in vastly different ways by local authorities – as the old saying goes, "Above are policies, below are countermeasures" (*Shang you zhengce, xia you duice*). It is thus no surprise that, in Chiu and Hung's terminology, the overall policy response to lay-offs, with poorly institutionalized and regionally circumscribed assistance programs, was an example of "muddling through" rather than "good governance" at the heart of China's turbulent social transition.[116]

In this fragmentary, fluid, and sometimes confused, policy environment, informal and *ad hoc* mechanisms proliferated across many localities.[117] Many SOEs and local governments relied largely on informal schemes to provide welfare assistance to laid-off workers. But even these often failed to deliver long-term assistance or re-employment opportunities to many workers. As one laid-off miner in Chongqing poignantly summed up the overall picture of welfare reform, "We are supposed to be grasping stones to cross the river.[118] But about four or five years ago we ran out of stones. Now we are in the middle of the river with no easy way forward or back."[119] Chapter 4 explores how stranded workers managed to cope.

[115] See, e.g., Frank J. Thompson and Michael J. Scicchitano, "State Implementation Effort and Federal Policy: The Case of Occupational Safety and Health," *Journal of Politics* 47/2 (1985), pp. 686–703.

[116] Stephen W. K. Chiu and Eva P. W. Hung, "Good Governance or Muddling Through? Layoffs and Employment Reform in Socialist China," *Communist and Post-Communist Studies* 37/3 (2004), pp. 395–411.

[117] Jane Duckett, "Bureaucratic Interests and Institutions in the Making of China's Social Policy," *Public Administration Quarterly* 27/1–2 (2003), pp. 210–37.

[118] This is a reference to Deng Xiaoping's famous description of China's gradualist economic reform (*mo shitou guo he*).

[119] Chongqing interviewee 16.

4 Pathways to re-employment

Introduction

State responses to laid-off workers' problems were uneven across space and time. Across almost all Chinese cities, however, self-employment and entrepreneurship emerged as important avenues for re-employment, just as Chin Kwan Lee found in her study of Liaoning.[1] Political status within the old planned system, as well as workers' personal particularistic connections (known in China as *guanxi*, but similar to what many political scientists and sociologists refer to as certain types of "social capital," or what many scholars of Russian politics and society call *blat*),[2] affected opportunities for entering the growing ranks of the self-employed. The structure and range of workers' social ties were instrumental in shaping their job opportunities, even in comparison with job-seekers elsewhere who rely on similar webs of connections.[3]

The effects of these aspects of working class society were mediated by regional disparities of market opportunity in the entrepreneurial sector. Local governments with sufficient capacity actively promoted and protected all types of market opportunity in ways that cities with fewer resources could not afford. This chapter explains why laid-off workers in most regions rarely succeeded in finding new jobs in the non-state sector. It discusses why workers in regions with more market opportunity relied less on particularistic connections or political status, while entrepreneurial employment depended more on connections and status the less market opportunity was available.

[1] Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007), pp. 130–9.

[2] John Field, *Social Capital* (London: Routledge, 2003); Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000); Alena V. Ledeneva, *Russia's Economy of Favors: Blat, Networking and Informal Exchange* (Cambridge: Cambridge University Press, 1998); Judith L. Twigg and Kate Schecter, eds., *Social Capital and Social Cohesion in Post-Soviet Russia* (Armonk: M. E. Sharpe, 2003). *Guanxi* is discussed later in this chapter.

[3] Mark S. Granovetter, "The Strength of Weak Ties," *American Journal of Sociology* 78/6 (1973), pp. 1360–80.

Central Coast cities with strong capacity managed to block the entry of rural-to-urban migrants into lower strata of the labor market, preserving these opportunities for laid-off SOE workers. In North-Central and Northeastern cities, workers often had insufficient access to start-up funds, through family or other personal connections, to become entrepreneurs. In these regions, workers' re-employment prospects were bleaker than elsewhere and many who succeeded were former managers and cadres. In the Upper Changjiang, and likely many provincial capitals, workers were better able to rely on family networks and other social networks extending beyond their old work units to raise funds needed to set up small businesses.

There are four general patterns of laid-off workers' re-employment in China. First, except in a small set of cases, self-employment was a main avenue of re-employment. Second, unemployed managers had an easier time finding new work than ordinary workers. Third, an especially high proportion of laid-off managers seemed to become self-employed. Fourth, ex-managers, rather than rank and file workers, seized many of the more lucrative self-employment opportunities.

The validity of these basic patterns was confirmed in the results of a survey of 1,841 workers (1,560 of them laid off) in 120 work units across Beijing, Tianjin, Nanjing, Changchun, Xi'an, and Wuhan between 1999 and 2000. Analysis of respondents' re-employment revealed that the following factors led to statistically significant negative effects on job prospects and income: being female; living in Wuhan, Xi'an, or Changchun (as opposed to Beijing, Tianjin, or Nanjing); time since being laid off; receipt of laid-off worker welfare benefits; not having been a manager; not being a Party member; not being a cadre; and having a high-school education or less.[4]

Understanding the fate of China's laid-off workers in the informal labor market also sheds new light on more general ideas about the "informalization" of labor, as well as on the social and political roles of "urban marginals" in a variety of contexts in ways discussed in more detail toward the end of the chapter.[5] Examining the processes through which laid-off workers became entrepreneurs not only reveals their

[4] Xie Guihua, "Shichang Zhuanxing yu Xiagang Gongren" (Market Transition and Laid-off Workers), *Shehuixue Yanjiu* 1 (2006), pp. 22–56.

[5] Alejandro Portes and Manuel Castells, "The World Underneath: The Origins, Dynamics, and Effects of the Informal Economy," in Portes, Castells, and Lauren A. Benton, eds., *The Informal Economy: Studies from Advanced and Less-Developed Countries* (Baltimore: Johns Hopkins University Press, 1989), pp. 11–37; Fulong Wu, "Urban Poverty and Marginalization under Market Transition: The Case of Chinese Cities," *International Journal of Urban and Regional Research* 28/2 (2004), pp. 401–23.

coping strategies, but also speaks to the nature of stratification in transition societies.

Why laid-off workers did not succeed in the private sector labor market

A conventional wisdom, both inside China and among many foreign observers, held that private or foreign-invested firms could re-employ many workers cast off from SOEs: "The [private] sector, as the one employment-generating portion of the economy, has become crucial for absorbing surplus labor from SOEs, thus facilitating necessary downsizing and restructuring in China's industrial core."[6] As they were thrown onto this market, though, most laid-off workers were excluded from whole categories of available jobs. The urban private sector labor market in China was not only extremely competitive, but also highly segmented and imperfect.[7]

The private sector labor market was largely bifurcated into very low and very high end (i.e. highly skilled and unskilled) segments. The former mainly sought young rural-to-urban migrants, and the latter searched mostly for holders of superior academic credentials. A 2003 Ministry of Labor report showed that China had an overall surplus of jobs, relative to the number of job-seekers, only for applicants with either less than a junior high-school education or a postgraduate degree.[8] Former SOE employees with, on average, a junior or senior high school education, and mostly aged between 35 and 50, were excluded from most types of both high-end and low-end employment in private or foreign-invested firms.[9] As one city leader put it, "[State-owned] work

[6] Edward S. Steinfeld, "Chinese Enterprise Development and the Challenge of Global Integration" (Massachusetts Institute of Technology, Industrial Performance Center, Working Paper 02–004), p. 13.

[7] The labor market was "imperfect" in two ways: first, many job-seekers did not find jobs and many jobs went unfilled (as often stated by my interviewees: "*You hen duo ren mei you huo gan; you hen duo huo mei you ren gan*" – "Many people have no work to do; there is a lot of work no one is doing"); second, players in the market did not have access to complete or equal amounts of information or ability to compete on an even footing.

[8] Zhongguo Laodongli Shichang Xinxi Wang Jiance Zhongxin (via the Laodong he Shehui Baozhang Bu Bangongting), "2003 Nian di San Jidu Bufen Chengshi Laodongli Shichang Gongqiu Zhuangkuang Fenxi" (Analysis of the Situation of Supply and Demand in a Portion of Urban Labor Markets during the Third Quarter of 2003) www.molss.gov.cn/news/2003/10282.htm, accessed November 11, 2003), especially Figure 9.

[9] Sometimes, laid-off workers obtained mid-range private sector jobs through privatization. With SOE privatization, workers were permitted to re-obtain or remain in their old jobs if the private managers (often the same individuals who ran the enterprise as a state firm) deigned to keep them on or take them back (usually at lower salaries and without benefits or job security).

units are done for (*wandan le*); private enterprises only want young college graduates or rural migrants; laid-off workers are forced to become self-employed to be re-employed (*zhihao dang getihu zaijiuye*)."[10]

Employers often cited lack of educational credentials or appropriate training as a primary reason for not hiring laid-off workers.[11] This was particularly galling to laid-off workers who came of age during the Cultural Revolution and had been systematically deprived of educational opportunity.[12] Partially because of these cohort-specific effects, laid-off workers did indeed often have generally lower educational credentials than other urban workers.[13] Another reason for laid-off workers' relatively low educational attainment was that managers, in an effort to salvage their firms' profitability, often dismissed the least well-educated workers while retaining those with higher skills. This pattern of dismissals sometimes stigmatized all laid-off workers as unskilled (even workers with university degrees and stellar job performance records).[14]

In cities that received many rural-to-urban migrants, laid-off workers were also excluded from lower-end private sector jobs because of wage competition with these "floaters." Some Chinese officials and academics claimed that workers leaving SOEs refused jobs performed by rural migrants because of a sense of superiority or unwillingness to lower their social status.[15] In fact, there is a much more materialist explanation for laid-off workers' relative absence in the lower strata of the private sector workforce.

Migrant workers did not flock to all cities in an even distribution. Many – likely most – cities with large numbers of lay-offs received few rural migrants. City officials interviewed in Datong, Luoyang, and Benxi all claimed that there had not been significant inflows of migrants – a fact corroborated by casual observation. Two Benxi officials went even

[10] Elite interviewee 2.

[11] Mo Rong, "Jiuye: Zai Tiaozhan zhong Guanzhu Kunnan Qunti" (Employment: Looking after the Struggling Masses in the Midst of Challenges), in Ru Xin, Lu Xueyi, and Li Peilin eds., *2003 Nian: Zhongguo Shehui Xingshi Fenxi Yu Yuoe – Shehui Lanpi Shu* (2003: China's Social Situation, Analysis and Predictions – Blue Book of China's Society) (Beijing: Shehui Kexue Wenxian Chubanshe, 2003), pp. 35–44.

[12] See Eva P.W. Hung and Stephen W.K. Chiu, "The Lost Generation: Life Course Dynamics and *Xiagang* in China," *Modern China* 29/2 (2003), pp. 204–36.

[13] Hong Qiao, "10 Chengshi Qiye Xiagang Zhigong he Li Tuixiu Renyuan Jiben Zhuangkuang de Chouyang Diaocha" (Sample Survey of the Basic Situation of Laid-off Workers and Retired Persons from Enterprises in 10 Cities), *Zhongguo Laodong* 12 (2000), pp. 51–2.

[14] Chongqing interviewees 1, 4, 9, 11, 15, and 27; Shanghai interviewees 16, 21, 26, 31, 34, 38, and 45.

[15] Harbin interviewees 4 and 8; Shanghai interviewees 5 and 6; Chongqing interviewee 39; Datong interviewee 4; Beijing interviewees 12 and 14.

further, asserting that their city had experienced a net outflow of workers since the late 1980s.[16]

There was even a small wave of *urban-to-rural* migration in the Northeast in the late 1990s and early 2000s.[17] In fact, encouraging laid-off workers to seek employment as farm hands in villages became an explicit policy (known as "*gong zhuan nong*" – "industry turned to agriculture," or "worker turned farmer") across some regions and sectors.[18] Even on the Central Coast, there were examples like a laid-off furniture factory worker from Yangzhou (in Jiangsu Province) who gained fame as the "goldfish king." After migrating to a rural area, he used his severance pay to set up commercial goldfish farms that eventually became internationally successful.[19]

In cities without many inward migrants, or losing outward migrants, laid-off workers sometimes found employment in the lower end of the private sector. But such jobs were not seen as a very good option. As one former coal-miner from Benxi, who had worked as a peddler for two years in a Chongqing market, put it, "I made much more money when I was in business for myself than in my current job [as a security guard for a private business in Benxi]. If I had not made bad business decisions, I would much prefer to be selling textiles and herbal medicines today. Working in a private firm is not dependable and does not pay enough for rent – let alone enough to save up and go into business again. I still have to live with my parents."[20] Self-employment, even as an out-bound migrant, was more attractive than a low-end private sector job in Benxi.

Underdeveloped markets in North-Central cities, and particularly across the Northeast, made all types of private sector jobs scarce. This trapped millions of workers in environments of pervasive poverty and unemployment. Rather than brimming with new non-state sector jobs, many cities in the Northeast came to resemble the neighborhoods on the South and West sides of Chicago that William Julius Wilson described: neighborhoods where, between 1960 and 1990, more than half the housing stock and three out of every four businesses disappeared as nearly all the industrial jobs that had supported their communities

[16] Benxi interviewees 49 and 55.
[17] Harbin interviewees 1, 2, 3, and 10; Benxi interviewees 48 and 62; elite interviewees 1, 4, and 5.
[18] This policy is described in Qian Linlao and Wang Shaodan, "Shilun dui Meikuang Xiagang Shiye Renyuan de Jiuye Yuanzhu" (Examination of Employment Aid for Laid-off and Unemployed Workers in Coal Mines), *Meitan Jingji Yanjiu* 2 (2000), p. 58.
[19] Chen Tao, "Cong Xiagang Zhigong Dao 'Jinyu Wang'" (From Laid-off Worker to "Goldfish King"), *Yuye Zhifu Zhinan* 3 (2006), p. 14.
[20] Benxi interviewee 6.

evaporated.[21] Across the Northeast and beyond, millions of laid-off Chinese workers languished, like so many Chicago residents, in highly concentrated tracts of poverty and dislocation, mostly unable to move to where the jobs were (though at least a few did migrate)[22] and with scant employment opportunities.

Only Upper Changjiang cities and some provincial capitals experienced both significant lay-offs *and* sizable waves of immigration from rural areas. Shanghai and other Central Coastal cities restricted inward migration. Most Northeastern and North-Central cities had little immigration. Upper Changjiang workers thus came under uniquely severe pressure. My interviewees, especially in Chongqing, indicated that rural migrant workers enjoyed a "subsistence cushion" which allowed them to accept wages that were actually below subsistence level for an urban worker, or certainly a worker *and* his or her family.

Though rural areas were often cash poor, rural migrants, compared to laid-off urban workers, were food rich. Unlike their urban worker counterparts, migrants frequently aimed to earn cash in the city as a way to pay their taxes or purchase goods back in the village, rather than as a means to purchase food for their daily survival. Several migrants in Chongqing, for instance, stressed that they relied on their families still working the fields for their subsistence, and whatever they earned in the city they spent in the village on paying taxes, educating their children, building or refurbishing their houses, and purchasing appliances and other items.[23] A Chongqing municipal official confirmed that migrants commonly relied (at least in part) on food transfers from the countryside, both in Chongqing and in several other cities – Zhuzhou, Changsha, and Wuhan – with which he was familiar.[24]

Even when migrants supported their own subsistence in the city with their earnings, their dependants rarely waited in the village for remittances to be sent back to purchase food. This further distinguished migrants from urban workers, who had to rely on their employment income to feed both themselves *and* their families. As one laid-off construction company worker in Chengdu (capital of Sichuan Province), interviewed by Jude Howell in 1999, explained: "Rural people can work on the land

[21] William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Vintage Books, 1996) especially pp. 24–46. See also his *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987), pp. 45–60. Similar decay of industrial and other employment occurred in other US cities as well, e.g. Detroit, Philadelphia, Pittsburgh, Baltimore, and New York.

[22] Some traveled as far as Shenzhen and Hainan from Harbin and Benxi. Most others made shorter trips, such as from Benxi to Beijing, or from Luoyang to Xi'an.

[23] Chongqing interviewees 31, 32, and 33. [24] Chongqing interviewee 37.

but city people don't have any land to work on. I don't have any land and there is no room to breed pigs or chickens . . . Some of the rural people let someone else till the land and then they come to the city to work. So we can't get any work. They can work hard and accept lower wages."[25]

Such a pattern is not new. Regarding migrant workers in the 1980s not attached to SOEs, Dorothy Solinger found, that "groups on their own, such as a construction team hailing from a single rural village, would organize transportation to bring grain from home at regular intervals," and that "those who had the capability to do so carted their food along with them on the road."[26] She also uncovered research on Shanghai suburbs from 1988 showing that, "over half of the transients there continued to get their grain from family or friends," as well as a 1986 Hubei provincial government regulation saying that "a lot of peasants enter the cities and towns, supplied with their own grain, and settle down to work or do business."[27]

Karl Polanyi emphasized the "outdoor relief" (i.e. state-sponsored relief from poverty not tied to their entry into poor houses, workhouses, or other institutions), pegged to the price of bread, that British rural workers enjoyed between 1795 and 1832 under the Speenhamland Poor Law.[28] Chinese rural migrants in the 1990s and early 2000s enjoyed a similar type of "household relief" that also amounted to a form of aid in wages – derived from relatives back on the farm still able to produce at least enough food to ensure the family's survival. This also provided a disincentive for urban workers to migrate. For those laid-off workers who migrated to other cities or regions found themselves at a significant disadvantage. With their families at home depending on remittances, they simply could not compete with rural migrants for most jobs.[29]

This sense of being trapped in a limbo between poles of market opportunity paralleled the situation of Haitian immigrants in Miami during the 1980s. There, new arrivals were isolated from both the formal and main informal sectors of the labor market.[30] Such polarization of

[25] Jude Howell, "State Enterprise Reform and Gender: One Step Backwards for Women?," in Robert Benewick, Marc J. Blecher, and Sarah Cook, eds., *Asian Politics in Development: Essays in Honor of Gordon White* (London: Frank Cass, 2003), p. 98.
[26] Dorothy J. Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Berkeley: University of California Press, 1999), p. 262.
[27] Ibid, p. 263.
[28] Karl Polanyi, *The Great Transformation: The Political and Economic Origins of our Time* (Boston: Beacon Press, 1957), chs. 7 and 8.
[29] Benxi interviewees 4, 7, 12, and 23; Harbin interviewees 3, 16, and 17.
[30] Alex Stepick, "Miami's Two Informal Sectors," in Alejandro Portes, Manuel Castells, and Lauren A. Benton, eds., *The Informal Economy: Studies from Advanced and Less-Developed Countries* (Baltimore: Johns Hopkins University Press, 1989), pp. 121–5.

China's urban labor market should also come as no surprise to students of American and Western European labor markets – especially cases like New York City's informal sector.[31] Several of Howell's Chengdu interviewees summed up the difficult position of laid-off workers by saying: "Employers want eighteen-year-olds. If you go to the places where they hire people, they say that anyone over forty years is too old." "when I should have gone to university, I was sent down to the countryside. Now I am old and you need diplomas to get jobs." "I have a primary school education and now I am forty years old. Now what am I supposed to do? Hotels want [to hire] young people from the countryside."[32]

Excluded from both higher- and lower-end jobs, laid-off SOE workers were often left to seek employment outside of China's flourishing private firms. Unable to land jobs demanding higher skills than they possessed, and uncompetitive with rural migrants for unskilled jobs, laid-off Upper Changjiang workers were left with few options. Where there were few migrants, as in the Northeast and much of North-Central China, market opportunity in private sector firms was minimal and working conditions poor. Only Central Coast cities managed both to restrict inward migration and to nurture private sector labor markets with substantial opportunities for laid-off workers.

Self-employment as an avenue for re-employment

The one market sector truly open to laid-off workers, again similar to the situation of Haitians in Miami, was the entrepreneurial economy. The importance of entrepreneurship for both employment opportunity and capital formation in transition economies, including China, has been widely recognized.[33] Success in business was by no means assured, but more opportunities existed here for laid-off workers than in any other sector.

Chinese government and academic studies confirmed the importance of self-employment as a mechanism for re-employing laid-off workers. A 1999 survey of 1,060 laid-off workers in 9 Southern Chinese cities found that of 152 who found re-employment, 93 (61 percent) were self-employed. By comparison only 17 (11 percent) found work in private

[31] Saskia Sassen-Koob, "New York City's Informal Economy," in ibid., pp. 60–77.
[32] Howell, "State Enterprise Reform and Gender," pp. 90, 96–7.
[33] See, e.g., John McMillan and Christopher Woodruff, "The Central Role of Entrepreneurs in Transition Economies," *Journal of Economic Perspectives* 16/3 (2002), pp. 153–70.

firms and only 1 (0.7 percent) found work in a foreign-invested firm.[34] A different 1999 survey of 120 laid-off workers (20 each – 10 male and 10 female – in Beijing, Tianjin, Shanghai, Chongqing, Wuhan, and Anshan) found that of those who found re-employment of any kind, 59 percent were self-employed or worked in temporary jobs.[35]

A State Council case study of the Shenyang Water Pump Factory found that through August 1999, up to 70 percent of workers whose labor relations with the firm had ended had entered various types of temporary jobs or were engaged in entrepreneurial activities.[36] A less detailed case study of the Shanghai Telephone Equipment Production Plant found a similar pattern.[37] A 2001 report on re-employment conditions in Shenyang and Dalian acknowledged that a great proportion of re-employed laid-off workers took up self-employment in various types of small-scale business and trade.[38] Jaeyoun Won, in his research on Changchun, found that more than 80 percent of re-employed workers there found work on their own, mostly as entrepreneurs.[39]

Finally, among my own unscientific sample of laid-off worker interviewees, nearly half had secured some form of re-employment (beyond work as day laborers or other temporary jobs at the edge of subsistence in the informal economy).[40] Among these, almost 4 out of every 5 were

[34] Yu Faming, *Xiagang Zhigong Laodong Guanxi Wenti Toushi: Ruhe Jiejue Xiagang Zhigong Chu Zaijiuye Fuwu Zhongxin de Wenti* (Perspectives on the Problems of Labor Relations of Laid-off Employees: How to Address the Problems Posed by Laid-off Employees Leaving the Re-Employment Service Centers) (Beijing: Jingji Kexue Chubanshe, 2000), pp. 165, 171.

[35] Tao Chunfang and Fan Aiguo, *Zhimian Xiagang* (Face Down Lay-offs) (Beijing: Dangdai Zhongguo Chubanshe, 2001), p. 208.

[36] Guowuyuan Fazhan Yanjiu Zhongxin, "Shenyang Shuibeng Chang Qiyi Gaige yu Xiagang Zhigong Wenti Diaocha" (Investigation into the Shenyang Water Pump Factory's Problems with Reform and Laid-off Workers), (Document 84 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 1999).

[37] Guowuyuan Fazhan Yanjiu Zhongxin, "Shanghai Dianhua Shebei Zhizaochang Qiye Gaige yu Xiagang Zhigong Wenti Diaocha" (Investigation into the Shanghai Telephone Equipment Production Plant's Problems of Enterprise Reform and Laid-off Workers) (Document 86 in the *Diaocha Yanjiu Baogao* series of the Guowuyuan Fazhan Yanjiu Zhongxin, 1999).

[38] Guo Jiyan and Wang Yongxi, *2001–2020 Nian Zhongguo Jiuye Zhanlue Yanjiu* (2001–2020 Chinese Employment Strategy Research) (Beijing: Jingji Guanli Chubanshe, 2001), pp. 269–72.

[39] Jaeyoun Won, "Withering Away of the Iron Rice Bowl? The Reemployment Project of Post-Socialist China," *Studies in Comparative International Development*, 39/2 (2004), pp. 75–6.

[40] The question of what to consider formal or permanent employment is tricky, since many laid-off workers do not consider anything other than employment in a state work unit as a "permanent job." I decided to count any sort of legal or quasi-legal work that interviewees had done or planned to do on a regular basis for six months or more, and considered to be one of their primary sources of income, as re-employment. Thus,

self-employed. Managers who lost their jobs also fared much better than ordinary workers, taking advantage of opportunities for "asset stripping,"[41] as well as more legitimate channels, to set up successful businesses of their own (some extremely successful).

Pathways to self-employment for laid-off workers

David Wank outlined three entrepreneurial paths in Xiamen in the 1980s: (1) a "speculator" path for successful peddlers and traders with relatively little formal education who capitalized on what social capital they had; (2) a "worker" path for former SOE workers with average levels of education and many ties to rural residents, overseas relatives, and certain officials, and greater personal and family wealth than speculators; and finally, (3) a "functionary" path for former officials (particularly SOE and local government purchasing agents) with high education and many ties to local elites and overseas relatives, as well as greater personal and family wealth than those on the other two paths.[42] For laid-off workers turning to entrepreneurship at the turn of the twenty-first century, something close to the worker path and to the functionary path was available in most Central Coast cities and some (likely few) provincial capitals with well-developed market sectors. In other locales, throughout the Northeast and most of North-Central China and the Upper Changjiang, only an approximation of the functionary path was a viable option.

Employees leaving Chinese SOEs required two things to enter the entrepreneurial sector: start-up financial capital and market opportunity. The concept of "market opportunity" in the entrepreneurial context requires additional clarification. By entrepreneurial market opportunity I mean simply that (1) the local economy had some existing, but as yet unmet, demand for whatever goods or services the would-be entrepreneur was prepared to offer; (2) supplies were not so scarce, or competition so

many interviewees in several categories – such as criminals, beggars and panhandlers, illicit traders and smugglers, many day laborers, as well as some vendors and hawkers (who sell surplus goods on a one-time or irregular basis) – are not counted as re-employed; whereas most who are counted as re-employed are not working in long-term state or private firm jobs with formal contracts, any benefits, or legal status as "employed persons." Not surprisingly, Lee faced similar issues in her fieldwork: *Against the Law*, p. 130.

41 X. L. Ding, "The Illicit Asset Stripping of Chinese State Firms," *China Journal* 43 (2000), pp. 1–28; and Russell Smyth, "Asset Stripping in Chinese State-Owned Enterprises," *Journal of Contemporary Asia* 30/1 (2000), pp. 3–16.

42 David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge: Cambridge University Press, 1999), ch. 6.

fierce, as to make provision of such goods or services a money-losing proposition, even under the best of circumstances; and (3) regulatory barriers or bureaucratic obstacles did not preclude the provision of these goods or services.

Great disparities in market opportunity existed between regions and sectors. There was negligible entrepreneurial market opportunity in the early 2000s for shoe-shiners or day-laboring tradesmen in Benxi, where there was low demand for such services and competition among sellers became extreme. For wholesalers of high-quality produce in Shanghai, however, the story was quite different.[43] Some would-be entrepreneurs, like bicycle and motorcycle taxi-drivers in many cities, were victims of strict regulations that impeded or destroyed what entrepreneurial market opportunity they may have had.[44] The availability of start-up capital and the modes through which it was best acquired also varied in accordance with key aspects of working class society and local state capacity by region and occupation.

Laid-off workers could gain access to start-up funds through one of two means: (1) family wealth networks, or (2) grants, credits, or loans from banks or government agencies. Family wealth networks depended on local economic conditions. In Shanghai, or even some provincial capitals, many families had members already successful in the private sector with sufficient wealth at their disposal to assist aspiring entrants into private business.[45] Where the local state could ensure the subsistence of laid-off workers and retirees, most families also were not saddled with complete responsibility to provide for laid-off or retired relatives. Families linked to the "bureaucratic class" – with many members in the Party or state bureaucracies – also seemed to have more extensive wealth at their disposal than more purely proletarian families.[46] There was thus

[43] Shanghai interviewee 24.

[44] William Hurst and Kevin J. O'Brien, "China's Contentious Pensioners," *China Quarterly* 170 (2002), p. 352.

[45] Shanghai interviewee 40; Chongqing interviewee 8; Harbin interviewees 13 and 15; Zhengzhou interviewees 10 and 15.

[46] Beijing interviewee 3; Harbin interviewee 2. See also Yang Yiyong *et al.*, *Gongping yu Xiaolü: Dangdai Zhongguo de Shouru Fenpei Wenti* (Fairness and Efficiency: Contemporary China's Income Distribution Problem) (Beijing: Jinri Zhongguo Chubanshe, 1997); as well as Li Chunling and Chen Guangjin, "Zhongguo Muqian Shehui Jieceng Jiegou Yanjiu Baogao" (Research Report on China's Current State of Social Stratification), in Ru Yan, Lu Xueyi, and Li Peilin, eds., *2002 Nian: Zhongguo Shehui Xingshi Fenxi yu Yuce – Shehui Lanpi Shu* (2002: China's Social Situation, Analysis and Predictions – Blue Book of China's Society) (Beijing: Shehui Kexue Wenxian Chubanshe, 2002), pp. 115–32. For a more complex picture of how links to this class have affected life chances in different ways over time, see Xueguang Zhou, *The State and Life Chances in Urban China: Redistribution and Stratification, 1949–1994* (Cambridge: Cambridge University Press, 2004), especially chs. 4 and 6.

substantial inequality of access to family-supplied funds both within and between cities.

Borrowing start-up funds from relatives was a much less widely available option in localities without developed market sectors.[47] Among my case study cities, Shanghai and Chongqing provided relatively more opportunities to borrow from relatives. Datong, Harbin, Shenyang, and Zhengzhou provided some such opportunities. Most workers in Luoyang and Benxi seemed to have very little opportunity to borrow from relatives to start up businesses.[48] Where workers could turn to family wealth networks, successful relatives who had already "jumped into the sea" of the entrepreneurial economy offered not just credit, but also inspiration and encouragement.[49] This was a role surprisingly similar to that of overseas relatives in Wank's analysis of Xiamen workers turned entrepreneurs.[50]

There were policies meant to provide preferential credit (both from banks and local government bureaus) to laid-off SOE workers. But only those with good *guanxi*[51] were consistently able to obtain it in many cities. This finding contrasts with claims that the importance of *guanxi* declined in the reform era.[52] But the manner in which *guanxi* remains important sheds new light on how many post-socialist elites seized economic opportunities from structural reform.[53]

Several interviewees in Chongqing, Datong, and Harbin, when asked whether they had considered applying for loans or grants from government bureaus or banks, replied that these were "only for Party members."[54]

[47] Luoyang interviewees 9, 11, and 23; Benxi interviewees 13 and 49; Kellee S. Tsai, *Back Allley Banking: Private Entrepreneurs in China* (Ithaca: Cornell University Press, 2002).

[48] Datong interviewees 1 and 4; Luoyang interviewees 4, 16, and 18; Zhengzhou interviewees 1, 7, 11, 12, 14, and 15; Shenyang interviewees 6 and 9.

[49] Chongqing interviewee 10; Harbin interviewee 13; Shanghai interviewees 39 and 40.

[50] Wank, *Commodifying Communism*, pp. 133–4.

[51] I define *guanxi* to mean social ties with individuals capable of obtaining credit or funds from banks or government bureaus that are strong enough to produce either an obligation or a willingness on the part of those individuals to do so. See also Mayfair Meihui Yang, *Gifts, Favors, and Banquets: The Art of Social Relationships in China* (Ithaca: Cornell University Press, 1994).

[52] Doug Guthrie, "The Declining Significance of *Guanxi* in China's Transition," *China Quarterly* 154 (1998); *Dragon in a Three-Piece Suit: The Emergence of Capitalism in China* (Princeton: Princeton University Press, 1999), especially ch. 8; Amy Hanser, "Youth Job Searches in Urban China: The Use of Social Connections in a Changing Labor Market," in Thomas B. Gold, Doug Guthrie, and David Wank, eds., *Social Connections in China: Institutions, Culture, and the Changing Nature of Guanxi* (Cambridge: Cambridge University Press, 2002), pp. 137–62.

[53] Andrew G. Walder, "Elite Opportunity in Transitional Economies," *American Sociological Review* 68/6 (2003), pp. 899–916.

[54] Chongqing interviewees 2, 10, 11, and 18; Datong interviewees 13, 16, 18, 21, and 22; Harbin interviewee 13; Luoyang interviewees 7, 8, 10, and 13.

One Chongqing bank manager put it directly: "No banks here give loans to workers who do not have collateral or special circumstances."[55] A Benxi cadre put it most starkly, saying, "There may be policies promoting access to credit, but in reality everything depends on *guanxi*. If you know enough officials in the government or bank it may be possible to get a loan, otherwise there is no hope. Even I, a high-ranking cadre, have tried to get loans [to open an entrepreneurial business] and have not been successful."[56]

Successful credit-seekers required close ties beyond the work unit. Particularly in the most troubled SOEs, enterprise managers and cadres were often preoccupied with obtaining credit to sustain operations and pay wages and pensions. In such circumstances, they were leery of "wasting" their efforts on securing loans for laid-off workers. One manager of a large SOE in the Northeast that allegedly lost Y20 million (roughly $2.9 million) *each day* that it remained in operation[57] and had laid off 40 percent of its workforce[58] put it bluntly: "Our *danwei* [work unit] depends completely on loans to pay wages and pensions, to continue production, and even to pay the interest on our existing debts. Since 1997, it has become much harder to obtain any loans. We [the management] have to use all of our efforts to secure these loans and this requires that we use all of our *guanxi* with the banks for this purpose."[59] He went on to imply that he and his colleagues sometimes had to offer explicit bribes or kickbacks to bank cadres or government officials to keep loans and subsidies flowing to their firm.

Such constraints may explain why M. Francis Johnston and Rodolfo Alvarez found in their survey of laid-off textile workers in Tianjin that ties to government officials were much more important than ties to enterprise officials.[60] When enterprise officials had to use their political and social resources to ensure the SOEs' survival, reciprocal patron–client obligations to former workers took a back seat. Tianjin is, no doubt, a far cry in many ways from the Northeast. The employment situation and business environment for most SOEs in Tianjin were significantly better than in most industrial cities outside the Central Coast.[61] If, even there, ties to enterprise officials were of relatively little use, the picture elsewhere was likely even bleaker.

[55] Chongqing interviewee 51. [56] Benxi interviewee 45.
[57] Northeastern managers 1, 2, and 3. [58] Internal firm report.
[59] Northeastern manager 4.
[60] M. Francis Johnston and Rodolfo Alvarez, "Earnings Differences among Reemployed Workers Laid Off from Downsizing State-Owned Textile Enterprises in Tianjin, China: Using Theoretical Triangulation to Understand One Aspect of the Transition/Transformation from Command to Regulatory Economy" (unpublished paper, 2003).
[61] Marc Blecher, "Hegemony and Workers' Politics in China," *China Quarterly* 170 (2002), p. 302.

Even in some provincial capitals, where government bureaus were able and willing to provide credit or grants relatively freely, many workers still saw good *guanxi* as necessary to obtain them. As a Harbin city official explained, "We have a policy to issue interest-free loans to laid-off workers for the purpose of opening small businesses. Almost no workers under my jurisdiction have applied for these loans. It seems that many people think they need to have some sort of special abilities or relationships to apply."[62]

If this perception prevented most potential recipients from even applying, it was just as effective as any other barrier.[63] Among my interviewees, only one individual – a laid-off auto worker in Shenyang – claimed to have obtained credit through a government-sponsored loan program without any resort to *guanxi*.[64] This suggests that connections to officials were even more important in urban China than perhaps in other post-socialist cases, such as Romania.[65]

Managers and cadres who had good *guanxi* with banks or local governments could get credit inaccessible to others, following a sort of "functionary path" to entrepreneurship. These individuals also often had larger personal stores of wealth or better family wealth networks than most workers.[66] Functionaries' advantages in the marketplace perhaps explain why Deborah Davis, in her survey of 200 Shanghai residents in the early 1990s, found that those who were self-employed were more likely to have held cadre posts in 1990, to have fathers in cadre or managerial posts, and to be Party members, than members of her sample as a whole.[67] Even in Shanghai, with its booming markets, large number of successful entrepreneurs, and open-access credit for laid-off workers, there was still a clear benefit to being a functionary when going into business.

There was also an idiosyncratic third option for some. Operating in the interstices of the state sector, individuals sometimes facilitated

[62] Harbin interviewee 8.

[63] There can often be a perception that *guanxi* are necessary even when this is not necessarily so: Doug Guthrie, "Information Asymmetries and the Problem of Perception: The Significance of Structural Position is Assessing the Importance of *Guanxi* in China," in Thomas B. Gold, Doug Guthrie, and David Wank, eds., *Social Connections in China: Institutions, Culture, and the Changing Nature of Guanxi* (Cambridge: Cambridge University Press, 2002), pp. 37–56.

[64] Shenyang interviewee 6.

[65] Cătălin Augustin Stoica, "From Good Communists to Even Better Capitalists? Entrepreneurial Pathways in Post-Socialist Romania," *East European Politics and Societies* 18/2 (2004), p. 31.

[66] Benxi interviewee 63.

[67] Deborah S. Davis, "Self-Employment in Shanghai: A Research Note," *China Quarterly* 157 (1999), especially Table 5.

quasi-illicit market transactions between state actors politically or administratively prevented from trading with one another. One former soldier and laid-off retail worker in Harbin managed to do this well. Though he lacked funds to move into lines of business for which there was market demand (e.g. retail sales of high-end clothing, watches, or jewelry), he was able, through his ties to former members of his old army unit (in managerial positions in several SOEs), to become an intermediary, or "supply agent."[68] He brokered transactions between a raw-materials firm in Harbin that had a surplus (which it could not sell through normal channels) and several industrial production firms facing shortages (that could not be filled at reasonable cost through ordinary transactions) in other parts of Heilongjiang Province.[69] Though he dealt exclusively with SOEs, this clever entrepreneur specialized in assisting clients to circumvent regulatory inefficiencies in China's transitional economy.

Gender, too, was an important dimension of inequality among laid-off workers. Entrepreneurial opportunities often seemed more readily available to men than to women.[70] This appeared true for all types of re-employment, despite large concentrations of laid-off women in many sectors and localities. Many who examined Chinese entrepreneurs and SOE workers' re-employment in general found such a pattern.[71] But gender inequality likely operated more as a constant than as a variable, in that it seems to have been present across all regions, sectors, time periods, and social strata. Also, the apparent result of gender bias or discrimination was sometimes also an effect of political status or *guanxi*. As most SOE cadres and managers were men,[72] and men could manipulate *guanxi* at least as well as women,[73] the effects of these variables likely confound, and perhaps even outweigh, the influence of more or less consistent gender inequality.

To sum up, strong local state capacity on the Central Coast allowed cities there both to deny entry to most migrants and to provide credit to many laid-off workers. Local governments elsewhere were generally too

[68] Such supply agents are not new to the scene or unique to China.
[69] Harbin interviewee 12.
[70] Harbin interviewees 2, 3, and 10; Shanghai interviewee 12.
[71] See, e.g., Davis, "Self-Employment in Shanghai"; Wank, *Commodifying Communism*, ch. 6; Li Xinjian and Zhao Ruimei, "Xingbie Qishi yu Nüxing Jiuye" (Gender Discrimination and the Employment of Women), *Funü Yanjiu Lunce* 1 (1999), pp. 4–8; and Howell, "State Enterprise Reform and Gender."
[72] For a clear and detailed case study example of this fact see You Zhenglin, *Neibu Fenhua yu Liudong: Yi Jia Guoyou Qiye de Ershi Nian* (Internal Stratification and Mobility: Twenty Years of one SOE) (Beijing: Shehui Kexue Wenxian Chubanshe, 2000).
[73] Yang, *Gifts, Favors, and Banquets*, pp. 78–85.

weak to achieve either of these goals. Market opportunity was also relatively abundant on the Central Coast, facilitating both employment and access to informal credit networks. Upper Changjiang cities had sufficient market opportunity to provide work and attract migrants. Laid-off workers there could access start-up funds but had to compete with migrants at every turn. Market opportunity in North-Central and Northeastern cities was so limited that few migrants wanted to move there; but there were also very few opportunities for laid-off workers.

Across all the regions, *guanxi* and social status strongly influenced the degree to which workers could obtain start-up funds. Functionaries had a much smoother path to entrepreneurship than workers did. Managers and cadres, in fact, often seemed able to directly convert their residual power from the pre-reform era into significant advantages in the 1990s and 2000s.

Turning political status into economic capital

The political power of old elites in SOEs was often transformed by marketization into economic power for China's emerging managerial class. As the political and economic climate changed, it became both easier and more desirable to convert political or social clout into economic capital.[74] While the old elite exercised power through political and social control over citizens whose economic subsistence was always guaranteed, economically innovative functionaries came to exercise economic control over both a politicized system of monetary capital allocation and the lives of workers in their employ. All of this unfolded as the non-economic significance of lower-level state and Party posts declined.

Pierre Bourdieu and others argued that economic, social, and political varieties of power all play important roles in any social system. As societies shift from communist central planning toward some form of institutional ambiguity prior to the establishment of coherent and efficient markets, the relative value of economic power (control over capital) increases as compared to the value of political position or social status. What is perhaps unique to transitional periods is the degree to which various types of power become transmutable. Thus, the farsighted bureaucrat can often parlay his or her role as gatekeeper over

[74] David L. Wank, "The Making of China's Rentier Entrepreneur Elite: State, Clientalism, and Power Conversion, 1978–1995," in Françoise Mengin and Jean-Louis Rocca, eds., *Politics in China: Moving Frontiers* (New York: Palgrave Macmillan, 2002), pp. 118–40; Jadwiga Staniszkis, "'Political Capitalism' in Poland," *East European Politics and Societies* 5/1 (1991), pp. 127–41.

economic resources into direct control – even ownership – of those resources. More subtly, the same bureaucrat can wield what remains of his or her political power to distort still malleable emerging markets in his or her favor.

The prevalence of such processes in China's reforming state sector questions Victor Nee's finding in Chinese villages that as control over resources "shifts progressively from political disposition to market institutions, there will be a change in the distribution of rewards favoring those who hold market rather than redistributive power."[75] But it lends support to what Andrew Walder and his collaborators found in a 1996 survey: that economic returns to official positions increased as reform progressed beyond a very early stage.[76] Most importantly, "power conversion" by managers and old SOE elites suggests a continuation of the widespread benefits to membership in the state apparatus in urban China that Xueguang Zhou found to be at work up through 1994, and bears strong similarities to processes observed across a range of other post-socialist cases.[77]

The experiences of three individuals from among my interviewees (one each in Benxi, Shanghai, and Chongqing) illustrate this type of process particularly well. Before 1990, a middle-aged woman in Benxi worked as a manager in a state factory. When the factory was shut down amid mounting losses, she was hired as factory director of another SOE. When this second factory went bankrupt in 1995 and she was laid off, she was able to borrow Y100,000 ($14,575) from a relative working for a foreign-invested firm in another province. She supplemented this with a Y70,000 ($10,200) bank loan, obtained through *guanxi*, and purchased a group of resort villas in another city. By 2001, she was earning more than 10 times what she had made as a factory director by renting the villas to Beijing's "new rich" each summer.[78] This interviewee enjoyed considerable power and influence within the planned economy. She was even able to move into ever higher managerial positions despite her role as factory director in enterprise failures. In the new reform environment, she relied on this clout, in addition to a solid family wealth network and

[75] Victor Nee, "The Emergence of a Market Society: Changing Mechanisms of Stratification in China," *American Journal of Sociology* 101/4 (1996), p. 910.

[76] Andrew G. Walder, "Markets and Income Inequality in Rural China: Political Advantage in an Expanding Economy," *American Sociological Review* 67/2 (2002), pp. 231–53; "Income Determination and Market Opportunity in Rural China, 1978–1996," *Journal of Comparative Economics* 30/2 (2002), pp. 354–75; Andrew G. Walder and Litao Zhao, "Political Office and Household Wealth: Rural China in the Deng Era," *China Quarterly* 186 (2006), pp. 357–76.

[77] Zhou, *The State and Life Chances*, pp. 300–3.

[78] Benxi interviewee 19.

inside information about vacation preferences of rich Beijingers, to make herself as successful under the new order as she had been under the old one.

In the second case, a middle-aged Shanghai man was an SOE management cadre until he was laid off in 1998.[79] Through *guanxi* with the trade union and Party apparatus, he secured a loan from a local government bureau for over Y250,000 ($36,450). He also borrowed "considerable sums" from several family members to open a high-technology entrepreneurial firm. By 2000, he employed many of his former underlings as workers in his private firm.

In this new setting the workers received no welfare benefits. But the owner's direct political control over them was considerably reduced, as compared to the situation in the old work unit. He still used Maoist-era methods to motivate and condition the workers, however, holding regular "study sessions" to instill a "market attitude" in his employees through "thought reform." Though the cadre's political control was transformed into the economic control of a boss, both he and the workers remained the same people. The Maoist-type "study sessions" were both an effort to cement his economic control and a lingering artifact of the *habitus* of politicized power relations between him and the workers.[80]

The third example, a middle-aged Chongqing man, was a manager in a large SOE until being placed on long vacation in 1991.[81] He then used *guanxi* to exploit a hidden entrepreneurial market opportunity. He sold spare machine parts produced by his relatives, who managed several township and village enterprises (TVEs) in Eastern Sichuan (a type of family wealth network, expressed in production capacity rather than fiscal capital), to SOEs managed by his old classmates that were unable to purchase these parts conveniently through ordinary channels.

He used the profits from this as collateral to secure a loan, with the assistance of his wife (a bank manager), to open a light industrial plant in the Chongqing suburbs in 1995. By 2002, the new business provided him with an income three times that which he had made at his original manager's job. This ex-manager's *guanxi* and status proved decisive for both seizing the market opportunity for his first venture and securing the loan to launch his second.

[79] Shanghai interviewee 45.
[80] On the concept of *habitus*, see Pierre Bourdieu, *Outline of a Theory of Practice*, trans. Richard Nice (Cambridge: Cambridge University Press, 1977).
[81] Chongqing interviewee 6.

Macro and comparative implications

The transformation of China's political elite in the process of economic transition and labor force contraction resembles certain aspects of that observed in former Soviet states and other countries of Central and Eastern Europe. China never experienced the abrupt wave of privatization many Eastern European states did, however. What privatization occurred in China was not so baldly stacked in favor of those with political status as programs like Russia's infamous "loans for shares" debacle were. But the importance of political connections in China persisted precisely because of the gradual and partial nature of its reform.

Some micro-level similarities between China and Russia are significant. The processes by which former state sector managers and their close associates transformed themselves into entrepreneurial traders in less developed regions of Russia,[82] for example, produced outcomes quite similar to those in smaller cities of Northeastern China. Though the processes and outcomes across Central Europe may be subject to some debate,[83] the transformation of the old Soviet elite into a transitional bourgeoisie in the former USSR, and especially in Russia, is well documented. Rather than diffusing economic and political capital to a broader cross-section of society (as some maintain transitions from plan toward market do), post-socialist transitions often preserve inequality and reinforce the power of old elites.[84]

China's workers-turned-entrepreneurs appeared to be self-employed worms rather than entrepreneurial caterpillars (to use the colorful metaphor of one scholar).[85] Rather than being proactive businessmen

[82] Catherine Humphrey, "Traders, 'Disorder,' and Citizenship Regimes in Provincial Russia," in Michael Burawoy and Katherine Verdery, eds., *Uncertain Transition: Ethnographies of Change in the Postsocialist World* (Lanham: Rowman & Littlefield, 1999), pp. 19–52.

[83] Akos Rona-Tas, "The First Shall Be Last? Entrepreneurship and Communist Cadres in the Transition from Socialism," *American Journal of Sociology* 100/1 (1994), pp. 40–69; Gil Eyal, Ivan Selenyi, and Eleanor Townsley, *Making Capitalism Without Capitalists: The New Ruling Elites in Eastern Europe* (New York: Verso, 1998).

[84] Theodore P. Gerber, "Joining the Winners: Self-Employment and Stratification in Post-Soviet Russia," in Victoria E. Bonnell and Thomas B. Gold, eds., *The New Entrepreneurs of Europe and Asia: Patterns of Business Development in Russia, Eastern Europe, and China* (Armonk: M.E. Sharpe, 2002), pp. 3–38; Eric Hanley, "Cadre Capitalism in Hungary and Poland: Property Accumulation among Communist-Era Elites," *East European Politics and Society* 14/1 (2000), pp. 143–78.

[85] Akos Rona-Tas, "The Worm and the Caterpillar: The Small Private Sector in the Czech Republic, Hungary and Slovakia," in Victoria E. Bonnell and Thomas B. Gold, eds., *The New Entrepreneurs of Europe and Asia: Patterns of Business Development in Russia, Eastern Europe, and China* (Armonk: M.E. Sharpe, 2002), pp. 39–65; Eric Hanley, "Self-Employment in Post-Communist Eastern Europe: A Refuge from Poverty or Road to Riches?," *Communist and Post-Communist Studies* 33/3 (2000), pp. 379–402.

whose success helped establish a new middle class, they, like many of their Central European counterparts, were reactive perpetuators of power relations and suboptimal patterns of exchange originating in the pre-reform era. While such an outcome may not sit well with stories of robust Chinese market development and Russian stagnation and institutional decay,[86] it is clearly foreshadowed in the work of others who examined contemporary Chinese labor relations and re-employment patterns.[87]

The importance of *guanxi* with officials outside the firm for workers seeking self-employment suggests that at least one dimension of intra-class stratification among Chinese workers was in flux.[88] Under the planned economy, workers with close ties to management served as "activist" arms of management authority. Managers often denied rights and benefits to workers without such connections. Left-out workers were forced to turn to *guanxi* outside the firm to obtain scarce goods and services.[89] Thus, within-group social ties were regarded as superior to boundary-spanning social ties. A dense network of relationships within the work unit bought the worker status and a wealth of rewards unobtainable outside the factory gates. Those lacking such networks relied on looser webs of reciprocal relationships with individuals outside the work unit for much more sporadic and contingent access to basic goods and services.

Because *guanxi* outside the work unit became a key determinate of access to capital and market opportunities for many laid-off workers, those who previously had been on the margins of work unit society frequently had more opportunities than their former activist coworkers.[90] Lay-offs abruptly adjusted the relative value of different types of social capital such that previously disadvantaged workers were in a much better position than their privileged peers to weather the transition away

[86] Humphrey, "Traders, 'Disorder,' and Citizenship Regimes in Provincial Russia." Steven L. Solnick, "The Breakdown of Hierarchies in the Soviet Union and China: A Neoinstitutional Perspective" *World Politics* 48/2 (1996), pp. 209–38.

[87] Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," *China Quarterly* 157 (1999), pp. 44–77; Feng Chen, "Subsistence Crises, Managerial Corruption, and Labour Protests in China," *China Journal* 44 (2000), p. 41.

[88] Zhang Ji, "Butong Shenfen Xiagang Zhigong de Zaijiuye" (Re-employment for Laid-off Workers of Different Status), *Zhongguo Renkou Kexue* 1 (2002), pp. 18–19.

[89] Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986).

[90] This is much more likely in firms that have laid off large portions of their workforces. When relatively small numbers of workers were laid off, activists were often able to use their ties with managers to retain their jobs, causing the population of laid-off workers to consist mainly of non-activists.

from the plan and emerge as successful entrepreneurs in the nascent market.[91]

Conclusion

With few prospects in other parts of the non-state sector labor market, re-employment for laid-off workers outside of the Central Coast was largely confined to self-employment. Officials and cadres in most settings had privileged access to resources needed to follow this route. In fact, across the Northeast and much of the North-Central region, only a "functionary" path to self-employment was readily available. Those able to follow this path – usually SOE managers or cadres – utilized *guanxi* networks with officials to ferret out opportunity and secure start-up capital. In the Upper Changjiang and many provincial capitals, workers often relied on family wealth networks or other sets of social ties extending beyond the work unit to raise needed start-up capital.

China's labor market was closely linked at the micro level with planning-era politics and was severely segmented. These attributes, however, would not be readily apparent from an analysis of aggregate statistics or broad national-level trends. Future research, perhaps informed by the development of entrepreneurial classes in the former Soviet Union and Eastern Europe, could further illuminate the longer-term outcomes and trajectories of working class stratification arising in China's transitional and evolving post-socialist society. It is crucial in any analysis, however, to recognize the persistence of planning-era hierarchies across regionally distinct patterns of opportunity and pathways to re-employment in China, as well as the continuing significance of *guanxi*.

Understanding how laid-off workers found ways to eke out an existence sheds light on the micro-level roots of an emerging informal labor market. Much has been made of trends toward "informalization" of work and employment, particularly in developing countries. Many have argued that ongoing industrialization takes place in a context increasingly different from the old model dominated by vertically integrated foreign-invested or state-run firms. Formal organizations – regulated and held in check by government bureaucracies, labor-based parties, trade unions, or workers' councils – allegedly gave way to sweatshop floors and peddlers' blankets, tied together by loose social networks, as key nodes of labor relations.[92] Over time, the realm of the informal

[91] M. Francis Johnston, "Bridging Social Capital in Personal Networks: An Exploratory Analysis of Data from Urban China," *Issues and Studies* 39/3 (2003), pp. 177–95.
[92] Portes and Castells, "The World Underneath."

supplanted the formal as the principal site of labor and work in much of the developing world.[93]

Chinese laid-off workers moved from highly formalized, even rigid, worlds of work in SOEs into a very peculiar sort of informal sector. The labor market they entered was a milieu distinct from the sweatshops of Shenzhen and other "migrant enclaves" in China and beyond, but equally far from the world they left behind. This process is an important and distinctive variant of informalization that the broader literature ought usefully to address.

Contrary to some earlier claims,[94] the Chinese labor market did not tend toward ever greater degrees of formalization and regulation for the laid off.[95] This chapter has established that laid-off workers mobilized networks of social capital and weak ties, rooted in subnational structures of working class society, to cope with their new situation. Subnational comparison has also allowed me to differentiate which categories of workers in which regions were generally able to pursue which paths to re-employment. The findings here should also promote a broadening of the concept of informalization, for too long focused on the emergence of economic structures alongside – or hand in glove with – the formal.

Given the inequalities reproduced and intensified through the available paths to re-employment, one might expect to see widespread labor protests and contention by China's army of the laid off. Yet this did not occur across all regions and cities. How and why some laid-off workers engaged in collective action while others did not, and with what results in each case, are the subjects of Chapter 5.

[93] Donald W. Light, "From Migrant Enclaves to Mainstream: Reconceptualizing Informal Economic Behavior," *Theory and Society* 33/6 (2004), pp. 705–37.

[94] Luigi Tomba, *Paradoxes of Labour Reform: Chinese Labour Theory and Practice from Socialism to Market* (London: Routledge Curzon, 2002).

[95] Chen Zhun, "Fei Zhenggui Jiuye: Zhanlue yu Zhengce" (Informal Employment: Strategy and Policy) *Jingji Gongzuozhe Xuexi Ziliao* 20 (2001), pp. 4–5.

5 Contention, protest, and social order

Introduction

Contentious incidents involving laid-off workers erupted frequently in various parts of China. There are no public quantitative data on the frequency, intensity, or types of workers' protests; but from sporadic media reports, scholars' field observations, and leaked internal estimates and reports, we know that there were at least hundreds, probably thousands, of episodes of laid-off workers' contention in China every year between about 1998 and 2008.[1] The trend, if anything, was also toward increasing numbers, greater intensity, and more cohesive organization.[2]

Despite the paucity of data and practical difficulties of conducting field research, a number of scholars offered explanations for patterns of workers' contention. They focused on grievances, collective action frames, mobilizing structures, claims, tactics, and targets of protest. These aspects of mobilization, with the possible exception of grievances,[3] were also traditional foci of the broader contentious politics literature. Still lacking was a more complete picture of the causal processes behind observed patterns of grievances, claims, tactics, opportunity, mobilizing structures, and targets.

[1] William Hurst and Kevin J. O'Brien, "China's Contentious Pensioners," *China Quarterly* 170 (2002), p. 346; Feng Chen, "Subsistence Crises, Managerial Corruption and Labour Protests in China," *China Journal* 44 (2000), pp. 41–63; Ching Kwan Lee, "The 'Revenge of History': Collective Memories and Labor Protests in Northeastern China," *Ethnography* 1/2 (2000), pp. 217–37, and *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007); General Office of the Henan Federation of Trade Unions, "Analysis of Workers' Street Demonstrations in Henan in 1998," reprinted *in China Labour Bulletin* 50 (1999), (www.china-labour.org.uk/9912e/henan_demos.htm, accessed March 28, 2001).

[2] Dorothy J. Solinger, "Chinese Urban Jobs and the WTO," *China Journal* 49 (2003), p. 87; Chih-yu Shih, "A Research Note on Workers' Culture in China," *Journal of Contemporary Asia* 24/3 (1994), pp. 370–84.

[3] Sidney Tarrow, *Power in Movement: Social Movements and Contentious Politics*, 2nd edn. (Cambridge: Cambridge University Press, 1998), p. 14.

Table 5.1. *Dimensions of workers' contention across regions*

Region	Primary type of grievance	Primary type of claim	Dominant frame	Political opportunity structure	Overt target	Hidden target
Northeast	Subsistence	General, subsistence, restorative	Maoist moral economy	Relatively open/ sympathetic	Local government	Central state
Upper Changjiang and North-Central	Opportunity	Regulatory, specific, opportunity	Head down and muddle through	Relatively closed	Local government	Local state, corrupt officials
Central Coast (and most provincial capitals)	Contractual	Specific, legalistic, enforcement	Market hegemony	Malleable	Firms or local government	Firms

Almost all earlier studies of Chinese workers' contention attempted to generalize from field research conducted in one locality or a very small number of localities. This practice led to several debates (e.g. between Ching Kwan Lee and Marc Blecher over their findings on workers' frames) that, in fact, can be largely explained by differences in local state capacity, central–local relations, and working class society – moderated by influences of market opportunity and SOE business environments – across China's industrial regions. Regional political economy thus plays a key role in explaining laid-off workers' contention in China, and possibly workers' mobilization elsewhere as well.[4]

The following sections explain how aspects of workers' contention were shaped by specific dimensions of regional political economy as summarized in Table 5.1. Three regional patterns emerged. In the Northeast – where local governments were weak and had poor relations with the center, workers' housing was clustered within individual work units, SOEs were collapsing, and there were few market opportunities – subsistence grievances, restorative claims, and moral economy frames conditioned contention, with the local state as overt target and the central state as hidden target, under a relatively open structure of political opportunity. With slightly healthier SOEs, stronger local states

[4] Steven Crowley, *Hot Coal, Cold Steel: Russian and Ukrainian Workers from the End of the Soviet Union to the Post-Communist Transformations* (Ann Arbor: University of Michigan Press, 1997); Howard Kimeldorf, *Reds or Rackets? The Making of Radical and Conservative Unions on the Waterfront* (Berkeley: University of California Press, 1988).

with fraying but still intact ties with Beijing, less scarce market opportunity, and workers' housing often straddling several work units, North-Central and Upper Changjiang cities saw opportunity grievances, regulatory claims, and "head down" frames shaping contention, with the local state the target, under a very closed political opportunity structure. Finally, Central Coast cities and provincial capitals, with very strong local states closely bound to the center, many profitable and few crumbling state firms, much more abundant market opportunity, and compounds often housing workers from several units, witnessed a prevalence of contractual grievances, enforcement claims, and market frames, with contention targeted against firms, within more malleable structures of opportunity.

Grievances and claims

Previous scholarship paid considerable attention to the grievances of Chinese laid-off workers – particularly those concerning subsistence issues, corruption, welfare or pension payments and back wages, and the restructuring or closure of firms.[5] These studies did not, for the most part, systematically address the effects of working class society, local state capacity, or the business environments of SOEs on shaping workers' grievances.

State capacity and SOE business environments shaped grievances by helping to determine the obligations to workers on which local states and SOEs are likely to have reneged. Unpaid wages, for example, surfaced much more regularly in the Northeast than anywhere else, due to the generally poor state of SOE business environments, the predominance of aging heavy industrial firms, and the relatively remote location of most Northeastern industrial cities. In North-Central China and the Upper Changjiang, unpaid wages seem to have been a common grievance of workers in smaller firms, but not in larger ones, and often were an especially big problem in particular sectors – notably textiles – facing acute problems of profitability. On the Central Coast, unpaid wages do not seem to have been an issue for most workers. Other grievances, such as lack of payment of benefits or legally mandated subsides, followed similar regional distributions.

[5] Lee, "The 'Revenge of History'", and "From the Specter of Mao to the Spirit of the Law: Labor Insurgency in China," *Theory and Society* 31/2 (2002), pp. 189–228; Hurst and O'Brien, "China's Contentious Pensioners"; Dorothy J. Solinger, "The Potential for Urban Unrest: Will the Fencers Stay on the Piste?," in David Shambaugh, ed., *Is China Unstable*? (Armonk: M. E Sharpe, 2000), pp. 79–94.

Market opportunity also influenced which grievances of opportunity obtained in each part of the country. Grievances over a lack of re-employment or viable self-employment options for laid-off workers appeared to be much more common in the Northeast,[6] and much less common along the Central Coast, than in the Upper Changjiang or North-Central regions, where such problems were persistent but only rarely severe.

One partial exception to this pattern was that of grievances related to local government corruption and managerial malfeasance. These problems existed in all types of firms and across all regions. But they seemed more pronounced in the Upper Changjiang and North-Central regions than elsewhere. Feng Chen pointed out the significance of corruption grievances in his work on Henan and the North-Central region,[7] and such grievances certainly appeared more common there than in Central Coast cities.[8] In the Upper Changjiang, my interviews revealed pervasive corruption-related grievances, and a knowledgable central government official (Beijing interviewee 6) singled out the Upper Changjiang provinces and municipalities as the center of the most severe corruption problems in SOEs anywhere in China.[9]

I suggest that this distribution can be explained by a combination of mixed business environments, relatively weak state capacity, and frayed central–local relations in the Upper Changjiang and North-Central China. Corrupt officials had something to steal, local states were not strong enough to stop them, and no one in Beijing was watching. Northeastern firms were often so badly off that they struggled just to stay in production, whereas the wells of graft may not yet have run dry for North-Central coal mines or Upper Changjiang defense and automobile plants that still often had viable revenue streams. Central Coast cities were subject to much closer oversight, both from provincial governments and especially by organs of the central state, than cities in other

[6] Si Ren, "Liaoning Si Chengshi Xiagang Zhigong Qingkuang Diaocha" (Investigation into the Situation of Laid-off Workers in Four Cities of Liaoning Province), in Ru Xin, Lu Xueyi, and Li Peilin, eds., *2003 Nian: Zhongguo Shehui Xingshi Fenxi yu Yuce – Shehui Lanpi Shu* (Beijing: Shehui Kexue Wenxian Chubanshe, 2003), p. 167.

[7] Feng Chen, "Subsistence Crises, Managerial Corruption, and Labour Protests in China," *China Journal* 44 (2000), pp. 41–63.

[8] Feng Chen, "The Re-employment Project in Shanghai: Institutional Workings and Consequences," *China Information* 14/2 (2000), pp. 169–93.

[9] See also Aimin Chen, "Inertia in Reforming China's State-Owned Enterprises: The Case of Chongqing," *World Development* 26/3 (1998), pp. 479–95; Xie Delu, *Zhongguo Zui Da de Pochan An Toushi: Chongqing Zhenzhi Zongchang Pochan Jishi yu Tantao* (Perspectives on China's Biggest Bankruptcy Case: History of and Probe into the Bankruptcy of Chongqing's General Knitting Factory) (Beijing: Jingji Guanli Chubanshe, 1994).

regions. High-profile corruption stings in these cities, harsh penalties (sometimes death) for those convicted of corruption, and a desire by officials at various levels to put a good face on the Chinese cities most likely to be scrutinized by the central government and outside observers contributed to the relatively lower incidence of flagrant corruption triggering collective action on the Central Coast.

SOE business environments, and especially local state capacity, help establish the severity and acuteness of grievances. On the Central Coast, for example, workers' most basic subsistence was almost never in doubt. In all other regions, however, sincere cries of "We want to eat" and "Give us food" were hallmarks of workers' protests.[10] Of course, the frequency of subsistence grievances varied within as well as between regions, with workers in certain sectors (again textiles, as well as agricultural implement manufacture), in small firms,[11] or in the Northeast much more likely than others to find themselves in genuine subsistence crises.[12] The same was true of unpaid wages and subsidies. While workers in other regions sometimes did not receive any wages or subsidies at all, workers on the Central Coast often complained that they did not receive all of the payments they were owed in full; but, with few exceptions, they almost always seemed (according to my interviews and other reports) to get something. Thus, the high state capacity and relatively healthy SOEs of the Central Coast gave rise to grievances related to fairness or degree, whereas weaker states and struggling firms across other regions often produced grievances of both opportunity and subsistence of varying severity.

Though often seen by scholars as part of a "repertoire of contention" in a manner that grievances are not usually thought to be,[13] claims put forward in the course of collective action are very closely based on grievances. Chinese laid-off workers' claims had to be filtered in the process of articulation so as not to provoke unwanted responses from state or societal actors. Even though many interviewees in Benxi expressed open displeasure with the central leadership and its reform policies, I uncovered no evidence that personal attacks on central leaders, outright denunciations of the reform project, or open calls to

[10] Lee, "The Revenge of History"; Chen, "Subsistence Crises"; Elizabeth J. Perry, "Crime, Corruption and Contention," in Merle Goldman and Roderick MacFarquhar, eds., *The Paradox of China's Post-Mao Reforms* (Cambridge, MA: Harvard University Press, 1999), pp. 308–29.

[11] Jonathan Morris, Jackie Sheehan, and John Hassard, "From Dependency to Defiance? Work-Unit Relationships in China's State Enterprise Reform," *Journal of Management Studies* 38/5 (2001), p. 701.

[12] Si, "Liaoning Si Chengshi," p. 165.

[13] Charles Tilly, *From Mobilization to Revolution* (New York: Random House, 1978), ch. 6.

restore the Maoist order were among the claims of protesters in the Northeast.

The more than 100 steel workers I observed blocking the entrances to the Trade Union headquarters in downtown Benxi on the morning of November 19, 2001, for example, made explicit claims about their inability to subsist, since their "basic livelihood guarantee" subsidies had not been paid for many months. Some of them carried signs with slogans like "The Chinese Communist Party is the Vanguard of the Working Class" and "Socialism is Good," but said nothing directly critical of current leaders or specific policies. Coal-miners, who had participated in a large protest at the Benxi city government compound in June 2000, said that their claims had been purely subsistence-related, that they had used "old ways of thinking from before reform" to phrase their complaints, and had conscientiously refrained from directly attacking current policies or political leaders, even though they held strong opinions that central leaders and policies were to blame for their circumstances.[14] Some strategy clearly went into translating grievances into claims articulated in their collective action.

Workers in Shanghai, who clearly benefited (at least in absolute material terms) from twenty-five years of economic reform and who rarely had problems insuring their basic subsistence, did not make claims about being unable to eat. Rather, they often advanced claims regarding school fees (and their inability to pay these rising costs), unpaid subsidies, or rare incidents of flagrant corruption or embezzlement in their firms.[15] While the claims of Northeastern workers were mostly general, moral economic, and subsistence-related, those of workers on the Central Coast tended to be legalistic, contractual, and related to specific instances of the state's or their firm's failure to deliver promised benefits.

One laid-off fish-processing plant worker in Shanghai told the story of how she was able to handle all the hardships of being sent to the countryside as a youth, of being laid off from the plant, and of working long hours in the collective sector supermarket where her work unit was able to place her after laying her off. She was never unable to feed her family and always received some subsidies. When her job refused to pay full wages for three months, however, she and her coworkers protested,

[14] Benxi interviewees 13, 15, and 18.

[15] Shanghai interviewees 22 and 23. Also Gu Jinling, "Xiagang Zhigong Zinü Jiaoyu Wenti Yanjiu" (Research on the Problems in the Education of Laid-off Workers' Children), *Jiaoyu Kexue* 5 (2002), pp. 23–4; Lianhe Diacha Zu, "Chengshi Pinkun Jiating Ertong Shenghuo Zhuangkuang yu Xuqiu" (Urban Poor Household Children's Living Situation and Needs), *Zhongguo Renkou Kexue* 5 (2000), pp. 71–7.

blocking traffic on the fashionable thoroughfare of Nanjing East Road until the city government stepped in to resolve this injustice and enforce their collective contract.[16] Similar to some retirees, a laid-off chemical worker in Shanghai on the verge of retirement said that, although she had sometimes had difficulty making ends meet since losing her job, she would never consider protesting unless her pension were withheld after her formal retirement. When pressed as to why she made this distinction, she responded that she had a "formal contract" with her old firm to supply this pension, and so it was "legally protected" in a way that her other living subsidies were not.[17]

Protests in the Upper Changjiang and North-Central regions often relied on a different type of claim. Though Feng Chen rightly pointed out that subsistence and corruption claims often dominated workers' protests in these regions,[18] the story was more complex than starving workers being pushed over a tipping point by corruption scandals. Most often, when workers had subsistence problems in these areas, they attributed these, through the prism of the "keep your head down and muddle through" frame to be discussed later, to a lack of market jobs or specific instances of corruption or misguided regulation, rather than to the failings of the reform project as a whole. Their claims thus often made reference to problems blamed on the local state or corrupt officials, which they encountered in eking out their subsistence, as opposed to the root causes of their hardships or simply their acute inability to subsist.

Some of the roughly 250 workers I observed blocking the gates of the Datong city government on the afternoon of July 8, 2002, for example, carried signs saying "We want to eat" and made statements about a lack of benefits. There were no old socialist slogans on display here, however. Further observations at the scene and casual conversations with several protesters revealed that their claims had much more to do with regulatory issues than with state failures of other kinds. Specifically, more than fifty of the participants turned out to be bicycle taxi-drivers, protesting because the city threatened to prohibit the trade they had depended on since losing their jobs in a machine plant. Similarly, some workers from a brewery objected to the recent closure by the local government of several informal labor markets around town where they had found work as day laborers and repairmen.[19] Finally, some of a contingent of at least ten

[16] Shanghai interviewee 37.
[17] Shanghai interviewee 36; Hurst and O'Brien, "China's Contentious Pensioners," pp. 350–1, 353.
[18] Chen, "Subsistence Crises." [19] Datong interviewees 22 and 23.

pharmaceutical plant workers said they were protesting because embezzlement by their factory director had used up all the money that was meant to go toward their subsidies and they were having difficulty making ends meet with just the income from the odd jobs they had managed to find.[20] Several participants in past protests in Chongqing also said that their claims had all been related to local crackdowns against motorcycle taxis, various kinds of peddlers, and other occupations in which they had found informal employment after losing their jobs in textile plants, mines, and military SOEs.[21]

The grievances and claims of laid-off workers in the Northeast tended to be moral, general, restorative, and subsistence-related, even if there was some filtering out of the most politically inflammatory grievances in the process of claim articulation. On the Central Coast, by contrast, workers' grievances and claims were nearly always contractual, specific, and even legalistic. Finally, in the North-Central and Upper Changjiang regions, corruption grievances and claims, as well as gripes over regulatory assaults on laid-off workers' livelihoods, predominated.

Frames

Using a concept that originated in the study of other outcomes,[22] many observed that the way grievances and collective action are framed could have at least as much influence on the course of contention as the grievances themselves. Ching Kwan Lee paid particular attention to framing, and presented a picture of Chinese workers' frames that emphasized both the primacy of nostalgia for the Maoist era on the one hand and modern, almost liberal, conceptions of citizenship and legal rights on the other (though in her later work she presented a more complex and less clear-cut picture).[23] From a different angle, Marc Blecher argued that a Gramscian hegemony prevented Chinese laid-off workers from being able to frame their grievances in a way conducive to collective action.[24]

Neither Lee nor Blecher lacked data to back up their arguments. To the contrary, each undertook some of the most detailed research on workers' frames to date. The main problem is that neither took regional differences in working class society sufficiently into account. Frames are not infinitely malleable – they must, to some degree, conform to the

[20] Datong interviewees 24 and 25. [21] Chongqing interviewees 4, 12, and 21.
[22] Erving Goffman, *Frame Analysis: An Essay on the Organization of Experience* (Cambridge, MA: Harvard University Press, 1974).
[23] Lee, "The Revenge of History", "From the Specter of Mao", and *Against the Law*.
[24] Marc Blecher, "Hegemony and Workers' Politics in China," *China Quarterly* 170 (2002), pp. 283–303.

grievances at hand if they are to achieve any degree of mass appeal. Also, not all frames resonate equally well in all political, economic, or social contexts. Different historical patterns of working class formation and mobilization, in combination with different current material circumstances, produced different widely held worldviews (incorporating both ideas about the Maoist past and assessments of the reform project) across regions in China.[25] These key aspects of working class society were then further influenced by a particular structure of market opportunity, in that while few jobs were available in the Northeast, re-employment was tenuous but possible in North-Central and Upper Changjiang cities, and relatively readily obtainable on the Central Coast.

Another issue with frames in China is that they could not be strategically constructed and disseminated by movement leaders in the way often described in the social movements literature.[26] Chinese workers' contention occurred in a context where public debate was not an option, state agents quickly struck down protest leaders, and the media did not normally even acknowledge that episodes of contention had occurred. Framing in this context took on a much more mass-based, spontaneous, and informal character than in many classically conceived social movements.[27] Leading social movement scholars also admitted that the classic conception of framing in the literature might be too narrow.[28] In my analysis, I keep the focus on what could be called "mass frames" – frames not deliberately propagated or strategically employed by leaders, media, or other intervening actors or institutions, but far closer to mechanisms of "collective interpretation and social construction"[29] and to Goffman's original formulation of the concept.

In the Northeast, one frame that resonated well could be called "Maoist moral economy,"[30] and fitted what Lee described based on her

[25] For more on laid-off workers' frames, see William Hurst, "Mass Frames and Worker Protest," in Kevin J. O'Brien, ed., *Popular Protest in China* (Cambridge, MA: Harvard University Press, 2008), pp. 71–87.

[26] Tarrow, *Power in Movement*, ch. 7.

[27] Feng Chen, "Industrial Restructuring and Workers' Resistance in China," *Modern China* 29/2 (2003), pp. 239–40; Patricia M. Thornton, "Framing Dissent in Contemporary China: Irony, Ambiguity, and Metonymy," *China Quarterly* 171 (2002), pp. 661–81.

[28] Doug McAdam, Sidney Tarrow, and Charles Tilly, *Dynamics of Contention* (Cambridge: Cambridge University Press, 2001), pp. 16–17.

[29] Doug McAdam and William Sewell, Jr., "It's About Time: Temporality and the Study of Social Movements and Revolutions," in Ronald R. Aminzade, Jack A. Goldstone, Doug McAdam, *et al.*, eds., *Silence and Voice in the Study of Contentious Politics* (Cambridge: Cambridge University Press, 2001), pp. 118–20.

[30] Marsha Pripstein Posusney, "Irrational Workers: The Moral Economy of Labor Protest in Egypt," *World Politics* 46/1 (1993), pp. 83–120; E. P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past & Present* 50 (1971), pp. 76–136.

research in Liaoning Province.[31] This frame blamed the reform project as a whole for destroying a basically healthy socialist order. The Maoist golden age was one dominated by patron–client relationships, to be sure, but also one in which a general promise of equality (or at least equity) prevailed, living standards were stable (at least for urban SOE workers), workers' rights were protected, and patrons actually fulfilled their obligations to clients. What replaced this after 1980 was political decay and social chaos in the context of suddenly imposed severe scarcity. Responsibility for this disaster rested squarely with the central leadership and the reform agenda it advanced, according to this frame.

As one laid-off chemical worker in Benxi said: "Workers have the right to protest and riot if local officials are not able to act, are incompetent, or refuse to listen to workers' legitimate demands. Chairman Mao said so himself; I remember studying this when I was young."[32] One retiree minced her words even less: "Reform has brought nothing but problems. Political reforms have taken away rights from the people and undermined the revolution's victories. Economic reforms have brought layoffs and poverty and have made Benxi's economy collapse. I have been 'on vacation' since 1988 and have protested many times because I often do not have enough to eat."[33] A miner on "long vacation" since 1993 said: "Reform and opening started around 1985. Since that time, everything has consistently gotten worse and worse. Wages don't get paid, people lose their jobs, inequality has become worse than it was before liberation [1949]. Even the Japanese managed things in the Northeast better than today's government. Managers and officials are all corrupt nowadays and they get away with everything. There is nothing ordinary people can do. The Northeast is dying and the Communist Party does not care about socialism any more. During the planned economy we were all poor. But we were poor together. We were all proletarians. We all ate the food from the common pot [*women dou chi da guo fan*]. Now, the rich people get richer while we all get poorer. The special characteristic of Chinese socialism is that it is especially unfair (*Zhongguo tese shehuizhuyi de tese jiu shi tebie bu gongping*)!"[34]

Some elements of this frame turned up elsewhere around the country.[35] Even in Beijing, one laid-off chemical worker, who had found new work as a taxi-driver, said, "When I was young, I was a Red Guard, one

[31] Lee, "The Revenge of History." [32] Benxi interviewee 25.
[33] Benxi interviewee 31. Many expressed the very same sentiments in slightly different words: e.g. Benxi interviewees 1, 2, 3, 5, 9, 16, 17, 19, 20, 21, 27, 28, 30, 32, and 33.
[34] Benxi interviewee 18.
[35] Chen, "Industrial Restructuring," p. 257; Hurst and O'Brien, "China's Contentious Pensioners," pp. 355–7; Eva P. W. Hung and Stephen W. K Chiu, "The Lost

of the vanguard of the proletariat. Now, I am the modern Xiangzi.[36] I go here and there around Beijing and can never earn enough to live in peace. The taxi company boss is just like the boss in the story as well – by day he drinks my sweat, at night he sucks my blood. One day I'll die of exhaustion. No one cares about us workers any more. Things were much better when Chairman Mao was alive and I was in the factory."[37] Though some workers across regions held certain sentiments in common, the whole frame only came together fully to spark widespread collective action in the Northeast. It is, however, undeniable that cohort and socialization effects played some role in predisposing individuals toward adopting particular frames.[38]

In contrast, a frame that emphasized that workers could be worse off than they were, blamed individual mismanagement and petty corruption for problems in particular firms, saw finding a job in a relatively good labor market to be the primary responsibility of each individual, and recognized the overwhelming benefits of reform was clearly accepted by many workers in the cities of the Central Coast. This frame, which could be called "market hegemony," was what Blecher uncovered from his interviews in Tianjin. Despite being the primary template promoted by the official media and by many Chinese academics and officials, it found a much more accepting audience along the Central Coast than elsewhere.

One laid-off fish warehouse worker in Shanghai stressed that although things had been more stable in the past, her family had acquired a television, a refrigerator, and an air conditioner after 1990 – unthinkable luxuries in the 1970s, when she recalled pining for a radio or a wristwatch. She spoke of the manager of her old SOE with expletives and harbored resentment against local officials, but also said that protesting

Generation: Life Course Dynamics and *Xiagang* in China," *Modern China* 29/2 (2003), pp. 204–36.

[36] This is a reference to the title character – a rickshaw-puller in Beijing during the 1920s – in Lao She's famous tragic novel of brutal exploitation, *Luotuo Xiangzi* (Camel Xiangzi).

[37] Beijing interviewee 13.

[38] Cai Fang, *et al*., *2002 Nian Renkou yu Laodong Lüpi Shu: Zhongguo Renkou yu Laodong Wenti Baogao – Cheng Xiang Jiuye Wenti yu Duice* (2002 Green Book of Population and Labor: Report on China's Population and Labor Problems – Problems of Employment and Solutions in Urban and Rural Areas) (Beijing: Shehui Kexue Wenxian Chubanshe, 2002), pp. 187–9; Hurst and O'Brien, "China's Contentious Pensioners"; Mo Rong, "Jiuye: Zai Tiaozhan zhong Guanzhu Kunnan Qunti" (Employment: Looking after the Struggling Masses in the Midst of Challenges), in Ru Xin, Lu Xueyi, and Peilin, Li eds., *2003 Nian: Zhongguo Shehui Xingshi Fenxi yu Yuce – Shehui Lanpi Shu* (China's Social Situation, Analysis and Predictions – Blue Book of China's Society) (Beijing: Shehui Kexue Wenxian Chubanshe, 2003), pp. 43–4.

would not be worth the trouble and that her problems were probably unique to her experience (or at least to her work unit).[39] A laid-off chemical worker and a laid-off sanitation worker in Shanghai echoed similar points of view.[40]

Both frames also appealed to certain audiences in the Upper Changjiang and North-Central regions. Here, workers belonging to large firms in still viable sectors – mines, some defense plants, and certain other heavy industrial firms – often tended toward the market hegemony frame; whereas those from small firms or certain hard-hit sectors – like textiles – tended toward the Maoist moral economy worldview. Still more widespread, though, among workers in all types of firms and sectors, was a third point of view.

This third perspective could be called the "keep your head down and muddle through" frame, and was conditioned by a particular structure of market opportunity as well as key elements of working class society. This frame held that reform brought about many problems – including widespread job losses and corruption – but also afforded the dislocated a number of new opportunities. In line with Solinger's finding that many workers in Wuhan appeared to be too busy working at temporary and odd jobs to protest,[41] adherents of this frame maintained that one must work exceedingly hard to find the new opportunities that exist in the market. But there was little doubt that such opportunities *did* exist. These opportunities were further thought to be sufficiently fragile that political or social upheaval on any scale could result in their being snatched away.

As one laid-off textile worker in Chongqing said, "Protest is of no use for us laid-off workers. No one ever gets anything from stirring up trouble and people like me can't stop working [in odd jobs] and go and protest. We have to feed our children."[42] A laid-off coal-miner in Datong observed: "I am afraid of what would happen if I were caught protesting. Some of my coworkers from the mine have protested violently and have been arrested. I am able to find enough work around town to feed my family, but I have no health insurance or pension. If I get into trouble, I don't know what would happen."[43] The Party

[39] Shanghai interviewee 32.
[40] Shanghai interviewees 36 and 43. Several others in Shanghai expressed related, though not identical, viewpoints: e.g. Shanghai interviewees 15, 17, 18, and 20.
[41] Dorothy J. Solinger, "Labour Market Reform and the Plight of the Laid-off Proletariat," *China Quarterly* 170 (2002), pp. 304–26.
[42] Chongqing interviewee 20.
[43] Datong interviewee 17. Many in Chongqing, Datong, and Luoyang also expressed very similar views: e.g. Chongqing interviewees 6, 7, 13, 14, 24, and 26; Datong interviewees 9, 10, and 11; Luoyang interviewees 14, 18, 19, 21, and 22.

secretary of a large SOE in Luoyang also claimed that workers in his factory generally remained off the streets so long as they were able to find some sort of temporary work (as supposedly most of them could) because of the benefits of working combined with the threat of repression or lost income.[44]

Mobilizing structures

Mobilizing structures – the connective structures and networks that facilitate collective action – have featured prominently in the broader literature on contentious politics. They were also a primary focus of Yongshun Cai's research on protests by Chinese laid-off workers.[45] One problem with looking at this aspect of Chinese laid-off workers' collective action is that they had few options when it came to mobilizing structures. Independent unions or associations were crushed as soon as – or even before – they were formed and, even within the factory, Chinese workers did not have the organizational resources or political space to mobilize openly or even to do the equivalent of putting up posters demanding thousand-zloty raises, as Solidarity activists did in Gdansk's Lenin Shipyards in 1980. Even under martial law, the political opportunity structure for Polish workers, in many important respects, remained far more open than that which Chinese workers faced.

The only mobilizing structures readily available to most workers were social networks of neighbors in apartment blocks and housing projects.[46] The influence of direct legacies of industrialization, and resulting current aspects of working class society, on mobilizing structures was thus quite simple. The intra-firm or inter-firm dynamic of protests was largely shaped by workers' reliance on these weak, informal, and spatially bounded mobilizing structures. In certain sectors and localities, dominated by large firms with self-contained housing compounds separated from the rest of the city, intra-firm protests are all that workers could usually manage to organize. This is the pattern Lee identified as "cellular activism" in her work on Liaoning.[47]

[44] Luoyang interviewee 26.

[45] Yongshun Cai, *State and Laid-off Workers in Reform China: The Silence and Collective Action of the Retrenched* (Abingdon: Routledge, 2006), and "The Resistance of Chinese Laid-off Workers in the Reform Period," *China Quarterly* 170 (2002), pp. 327–44.

[46] Lee, "The Revenge of History"; Benjamin L. Read, "Democratizing the Neighborhood? New Private Housing and Home-Owner Self-Organization in Urban China," *China Journal* 49 (2003), pp. 31–60.

[47] Lee, *Against the Law*, pp. 111–13, 120–1.

Where smaller firms were the rule, and apartment blocks housed workers from a cross-section of many firms, inter-firm collective action was a much stronger possibility. This spatial logic of workers' mobilization is not altogether different from that aspect of Chinese students' collective action in 1989.[48] The manner, location, and timing of industrialization determined the housing patterns of SOE workers and, thus, the mobilizing structures broadly available to those seeking to engage in collective action. The patterns are not strictly regional, but largely correlate with regional boundaries.

All of the protests I observed or heard of in the Northeast (with the single exception of the famous spring 2002 Liaoyang protests, which involved coordination of workers from across at least 7 or 8 SOEs) involved workers from only one firm. The protest I witnessed in Datong, on the afternoon of July 8, 2002, was quite different. It involved roughly 250 workers from at least 7 different firms, who were all apparently neighbors in the same housing complex. One of the Datong protesters said they had tried to mobilize a wide swath of workers from their neighborhood because otherwise they would be too few to make an impact, since they all came from small firms. This interviewee also cited the example of a large protest he had heard of in Baotou (in Inner Mongolia) where 100,000 workers from 10 or more factories allegedly held the local government hostage for 10 days and were eventually able to achieve all of their protest aims. The reliance on neighbor networks as primary mobilizing structures may also explain why certain groups of workers – pensioners and men – seemed more likely to protest than others, since they more frequently remained within housing compounds after losing their SOE jobs and less frequently found re-employment outside the neighborhood than younger workers or women did.[49]

The nature and severity of grievances also influenced how many workers might simply be "swept up" in the course of collective action already under way. Workers with particularly severe or acute grievances were also more likely to try to cobble together higher-risk, more formal,

[48] Dingxin Zhao, "Ecologies of Social Movements: Student Mobilization during the 1989 Prodemocracy Movement in Beijing," *American Journal of Sociology* 103/6 (1998), pp. 1493–529.

[49] Zhu Xuefeng and Zhang Hutang, "Zouguo Wunai, Zoujin Chuntian: he Gongye 264 Dadui Xiagang Zhigong Zaijiuye Fangtan Ji" (Walk Past the Hopelessness, Walk into the Spring: Record of Interviews on Re-employment of the Laid-off Workers of the 264th Industry Battalion), *Guofang Jishu Gongye* 2 (2002), pp. 34–6. For evidence to the contrary, see Mo Rong, "Jiuye: Xin Shiji Mianling de Taizhan Juece" (Employment: The New Century's Challenge and Choice), in Ru Xin, Lu Xueyi, and Dan Tianlun, eds., *2001 Nian: Zhongguo Shehui Xingshi Fenxi yu yuce – Shehui Lanpi Shu* (Beijing: Shehui Kexue Wenxian Chubanshe, 2001), p. 222.

or boundary-spanning mobilizing structures like independent unions or petition groups – as occurred in the high-profile 2002 Liaoyang protests – even though the risks of doing so were generally prohibitive.[50]

Political opportunity and local state response

Following Tarrow, I take my definition of "political opportunity" as "consistent – but not necessarily formal, permanent, or national – dimensions of the political struggle that encourage people to engage in contentious politics."[51] This is consistent with earlier formulations of this variable.[52] China's structure of political opportunity in the 1990s and 2000s, especially for SOE workers (as opposed to students, artists, or even workers in private or foreign-invested firms),[53] was definitely much more closed than anything the social movement scholars of the 1960s and 1970s had in mind. China scholars perhaps overplayed this point, and have mostly, but not universally,[54] shied away from discussion of political opportunity and its role in promoting or discouraging workers' contention.

Political opportunity, like many other facets of the landscape of contention in China, varied by region, and was shaped by local state capacity and central–local relations. In the Northeast, weak local elites with distant relationships to the center sympathized with workers, and most actors seemed able to agree that central policy and reform in general had jeopardized the economic survival of the whole region. In the Upper Changjiang and North-Central regions, relatively weak local states were very likely to repress workers and had an overriding goal of preventing protests in the future in order to preserve precarious ties to the center, even if this meant paying higher costs to repress them in the near term. In the Central Coast, strong and wealthy local states under

[50] Kevin J. O'Brien, "Neither Transgressive nor Contained: Boundary-Spanning Contention in China," *Mobilization* 8/1 (2003), pp. 51–64; Philip Pan, "Three Chinese Workers: Jail, Betrayal, and Fear: Government Stifles Labor Movement," *Washington Post*, December 28, 2002; Erik Eckholm, "Workers Stage Protest" *New York Times*, March 12, 2002, and "Leaner Factories, Fewer Workers Bring More Labor Unrest to China," *New York Times*, March 12, 2002.

[51] Tarrow, *Power in Movement*, pp. 19–20.

[52] Doug McAdam, *Political Process and the Development of the Black Insurgency, 1930–1970* (Chicago: University of Chicago Press, 1982), pp. 40–3; Peter K. Eisinger, "The Conditions of Protest Behavior in American Cities," *American Political Science Review* 67/1 (1973), pp. 11–28.

[53] On the contrasting opportunities of Liaoning SOE workers and their counterparts in Guangdong private firms, see Lee, *Against the Law*.

[54] Cai, *State and Laid-off Workers in Reform China;* Teresa Wright, *The Perils of Protest: State Repression and Student Activism in China and Taiwan* (Honolulu: University of Hawaii Press, 2001).

close watch by Beijing were likely to buy off workers engaging in collective action with one-time benefit payments.

The contrast in attitudes of local elites in different regions toward workers' collective action is striking. A police officer on his beat in a working class housing block in Benxi stated his view bluntly: "The laid-off workers who make disturbances are our neighbors and classmates, our parents and relatives. How could we repress them? We know very clearly that they are having very severe difficulties."[55] This officer's view seemed quite widespread among Benxi officials. A public security official in Zhengzhou took a very different view when speaking of how the local state there responds to workers' protests: "Cutting the heads off both sides (*gei shuang fang de tou kan diao*) is a very effective means of stopping protests. We have reduced the number of protests by 80 percent in the past two years using this method and have also observed that their scale and severity have been reduced."[56]

City officials in Datong and Luoyang expressed no sympathy for contentious workers or understanding of their grievances. One official in Chongqing also stressed that, even though reform had clearly hurt workers, they still enjoyed opportunities for entrepreneurial development or re-employment, and collective action was completely unacceptable. Between these two extremes was the view of a Shanghai labor official who stressed that protests were a loss of face for the city and that the local government always tried to bring disturbances to a close quickly by paying the protesters to go home.

These different attitudes, themselves conditioned by local state capacity and central–local relations, engendered different patterns of state response to workers' contention – and thus different structures of political opportunity – in each region. The three patterns can be characterized as bargaining, signaling, and "doing nothing," and ought to be reviewed in turn.

The bargaining response

Shanghai officials generally adopted what could be termed a bargaining response to laid-off workers' contention.[57] In a bargaining scenario, the situation of both parties to a conflict could theoretically be improved over the status quo by moving to any point within some range of

[55] Benxi interviewee 59. [56] Zhengzhou interviewee 4.

[57] Though I will not specify a formal model of the interactions between local states and laid-off workers, I draw upon basic insights from game theory to describe the dynamics of these interactions.

outcomes, but the ideal or optimal point is not the same for both parties.[58] In such a situation, neither party will accept a solution that creates a worse situation than the status quo, but any solution that improves the status quo for both parties is within the realm of possible agreements.[59]

Shanghai and most Central Coast cities had sufficient resources to bargain with dissatisfied laid-off workers, offering negotiated solutions that improved workers' material status in exchange for labor peace. Under such conditions, the same workers were not likely to demonstrate repeatedly, since further gains for them would likely have pushed the government beyond the point at which its costs would equal or exceed those it faced prior to the initial bargaining – what could be called the state's reservation point – and would have been unacceptable out of hand for the state. That this dynamic might encourage protests by additional workers was not a serious concern for the local governments in Central Coastal cities that could afford to bargain in similar fashion with each group of restive workers that might come along.

Once workers observed the approximate level of the negotiated settlement that could be extracted from the government through protesting, there was little incentive for anyone to protest unless such a sum represented a significant improvement over their status quo. Since the legally mandated level of compensation for laid-off workers in Central Coast cities was already relatively high, it was most often only those workers who did not receive the compensation to which they were entitled who protested – since only these stood to improve substantially upon the status quo by obtaining a negotiated settlement that did not push the state beyond its reservation point. Both in the minds of workers, and in practice within the bargaining interaction between workers and local states, workers' contention in the Central Coast served as an informal enforcement mechanism ensuring that laid-off workers received compensation approximately equal to that to which they were legally entitled.[60]

When pressed as to why the Shanghai city government had not opted for repression more frequently than it did, one city official said,

[58] On the basics of bargaining models, see Henry Hamburger, *Games as Models of Social Phenomena* (San Francisco: W. H. Freeman and Company, 1979), pp. 115–41; and James D. Morrow, *Game Theory for Political Scientists* (Princeton: Princeton University Press, 1994), pp. 111–20.

[59] In fact, every such bargaining model has a unique Pareto-optimal solution (a.k.a. the "Nash Bargaining Solution") that benefits both sides and pushes neither to a position worse than the status quo point.

[60] Shanghai interviewees 22 and 29. In the mid 1990s, some workers in other regions also saw protests as such an informal enforcement mechanism: Xie, *Zhongguo Zui Da de Pochan An Toushi.*

"Shanghai workers know that we care about their livelihood. They make disturbances only in order to correct abuses and deficiencies. The government has the same goal."[61] A number of Shanghai officials also claimed that paying compensatory monetary settlements to workers was far cheaper than the costs of repressing workers' collective action.[62] In a context of fiscal security and economic expansion, local governments could afford to be relatively accommodating of workers' demands – so long, presumably, as workers did not press for so much compensation as to push the local state past its reservation point.

The signaling response

North-Central and Upper Changjiang city officials tended toward a signaling response. Signaling behavior occurs when one party to a conflict undertakes an action with the purpose of revealing – or signaling – private information to the other party.[63] Of most interest is "costly signaling" – when the signaling party incurs a cost (that it could otherwise avoid) in order to send its signal – as opposed to "cheap talk" – when sending a signal is painless, but conveys no meaningful information. Often, one party may engage in costly signaling in order to lead potential parties to future interactions to believe that the signaling party is of a particular type.

A classic example of signaling is the "beer–quiche game."[64] In this stylized interaction, a patron of a hypothetical restaurant chooses between two breakfast items – beer or quiche. Eating quiche invites other diners to start fights with the quiche-eater, who is perceived as weak, whereas drinking beer indicates that the drinker is strong and not to be messed with. In such a situation, effete connoisseurs of quiche often opt to quaff a frothy meal that deters would-be assailants, even though this entails paying the "cost" of forgoing their preferred breakfast.

Upper Changjiang and North-Central city governments engaged in the same type of costly signaling by repressing workers' collective action (which was both more costly and more risky than reaching a bargaining solution with restive workers). They did this in order to convince other potential protesters that the state was repressive, that any attempt to force a bargaining scenario upon it would be futile, and that anyone

[61] Shanghai interviewee 6. [62] Shanghai interviewees 1, 2, 3, 4, 5, 6, 7, and 9.
[63] On the basics of signaling behavior, see Morrow, *Game Theory*, – pp. 241–60.
[64] In-Koo Cho and David M. Kreps, "Signaling Games and Stable Equilibria," *Quarterly Journal of Economics* 102 (1987), pp. 179–222; Morrow, *Game Theory*, pp. 244–50.

leading or organizing a protest would face very stiff consequences.[65] They chose not to bargain because they lacked the fiscal resources to engage in repeated bargaining with group after group of workers protesting at severely deficient – even non-existent – subsidies or benefits.

North-Central and Upper Changjiang city government frequently also investigated, and even prosecuted on corruption charges, SOE managers whose workers engaged in collective action. This served three purposes. First, it helped create increased incentives for firms to handle conflicts internally (and prevent any public collective action) by imposing high costs on managers whose firms failed to do so. Second, it helped placate restive workers, who could claim their protest was successful if allegedly corrupt or incompetent managers were punished even if workers' other demands were not met. Finally, cracking down on both workers and management when contentious episodes flared up promoted a conceptualization of employment problems and disputes as internal enterprise issues, rather than as conflicts between workers and the local state or struggles between the proletariat and Communist Party. Seen this way, workers and managers were parties to the conflict, while the state became an outside mediator.

Simultaneous punishment of workers and managers was labeled the "double repression strategy" (*shuangfang yaxiaqu de zhanlue*) by a public security official in Zhengzhou.[66] This interviewee and several others emphasized that such repression was more costly, at least in the short term, than paying compensation to protesting workers.[67] But the short-term costs were worth it to many North-Central and Upper Changjiang officials, in light of the longer-term deterrent effects on potentially contentious workers. As one official in Chongqing put it: "Repressing workers involved in one disturbance now costs money for the government, but it is much better than having to pay all the laid-off workers who would stage ten disturbances as soon as one group gets paid."[68]

The "do nothing" response

In response to protests, Northeastern governments often could only sit by. Their only hope was either that higher-level authorities might release special funds to assist them in providing at least minimal subsistence aid to restive workers, or, alternatively, that workers might realize that no

[65] City governments in many provincial capitals behave in a similar way.
[66] Zhengzhou interviewee 4.
[67] Beijing interviewees 2, 3, 7, and 11; Chongqing interviewees 42 and 43; Datong interviewee 5; Luoyang interviewee 6; Harbin interviewees 6, 7, and 9.
[68] Chongqing interviewee 43.

assistance was forthcoming and stop spending energy and time on continued collective action. One Benxi city official remarked: "The provincial government spends almost all of its resources in Shenyang and pays attention to smaller cities only when something very bad happens that could make the province look bad nationally or internationally. We have no independent source of revenue. So when there is a disturbance, we must wait for the provincial government to provide money to deal with it or we are helpless."[69] At most, these city governments deployed limited security forces to prevent full-scale rioting, widespread violence, or damage or destruction of property.[70]

Indeed, workers and local governments in the Northeast often agreed that any meaningful response to workers' discontent would require resources provided by higher-level authorities. As a Benxi cadre put it, "Workers are not foolish. They know that work units here have no money. If they had money, they would pay wages. They also know that our local government resources are very limited. They block roads and cause disturbances in front of the city government, hoping that higher-level officials will notice and give us more resources so we can help the workers."[71]

Targets and Tactics

Targets and tactics are the remaining main components of what are often called "repertoires of contention." Workers' distinct repertoires and decisions about targets and tactics when protesting against firm restructuring received attention from Feng Chen, but the China literature has been mostly silent on this topic.[72] Scholarship on Russia, however, focused more clearly on targets and blame.[73] Neither targets nor tactics exhibit the same relatively neat regional variation as other aspects of Chinese laid-off workers' contention. But SOE business environments, central–local relations and local state capacity did influence workers' decisions about whom to target and (at least to some small degree) what tactics to pursue.

Laid-off workers chose among three potential targets: their firms, the local state, and the central state. Likewise, three basic tactics were

[69] Benxi interviewee 53. [70] Benxi interviewees 60 and 61.
[71] Benxi interviewee 64. [72] Chen, "Industrial Restructuring."
[73] Debra Javeline, "The Politics of Blame in Collective Action: Evidence from Russia," *American Political Science Review* 97/1 (2003), pp. 107–21, and *Protest and the Politics of Blame: The Russian Response to Unpaid Wages* (Ann Arbor: University of Michigan Press, 2003).

employed in Chinese contentious politics: non-disruptive petitioning,[74] non-violent blockage of roads, railways or building entrances, and violent action (such as riots, looting of factory property, and physical attacks on factory managers or local government officials). While there were a few famous incidents of collective violence by laid-off workers,[75] these were very rare and none of the protests about which I collected first-hand observations or interviewee accounts employed violent tactics. Similarly, non-disruptive petitioning did not appear to be widely used by laid-off workers, except when they filed formal labor disputes or traveled to Beijing to present petitions directly to central officials.[76] At least from the data at hand, the non-violent blockage of transportation, government, or production facilities seems to have been the most common tactic for contentious workers throughout China.

Of course, workers often employed hidden or "everyday" forms of resistance.[77] Many laid-off workers moved into criminal activity upon losing their jobs, causing researchers to remark: "It is striking that workers often express a preparedness, even an intention, to turn to crime to provide for themselves and their families if they lose their jobs."[78] Famous criminals also sometimes became folk heroes among laid-off workers. The case of an infamous gangster known as "Hong Ren" in Datong during the late 1990s is one example.[79] It is difficult, however, to determine the extent to which any of this had the intent of challenging the state. More extreme forms of individual resistance, such as self-immolations, were also reported.[80] Because of their rarity and individual, rather than collective, nature, these are not analyzed here.

If tactics remained relatively constant across regions, even if not over time, targets clearly varied. It is useful to distinguish between overt

[74] Isabelle Thireau and Linshan Hua, "The Moral Universe of Aggrieved Chinese Workers: Workers' Appeals to Arbitration Committees and Letters and Visits Offices," *China Journal* 50 (2003) pp. 83–103.

[75] Arthur Waldron, "The Real China Story: Labor Protest in Yangjiazhuangzi, China," *Washington Post*, April 6, 2000.

[76] Many interviewees stressed that non-disruptive petitioning had been widely employed by laid-off workers prior to about 1997. After that, most people came to consider it as less effective than, but potentially just as dangerous as, other tactics. Even though formal disputes were relatively rare, they have still numbered in the tens of thousands annually since the late 1990s.

[77] James C. Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985), and *Domination and the Arts of Resistance: Hidden Transcripts* (New Haven: Yale University Press, 1990).

[78] Morris, Sheehan, and Hassard, "From Dependency to Defiance?," p. 709. Chongqing interviewees 41 and 43; Benxi interviewees 10, 56, and 58.

[79] Datong interviewee 8.

[80] Cindy Sui, "Laid-off Chinese Worker Sets Himself on Fire on National Day," *South China Morning Post*, October 1, 2003.

targets and "hidden targets." In contentious acts there are two possible types of targets: the entity being directly or explicitly barricaded, denounced, attacked, or criticized (the overt target), and the entity that challengers actually desire or expect to take action in redress of their grievances. When these two are not one and the same, the latter may be referred to as a hidden target. A proximate example of such a distinction is anti-war protests in Berkeley, California (e.g. against the US invasion of Iraq in 2003), in which demonstrators blocked the doors of city hall or university administration buildings, not to convince the already mostly anti-war (though powerless in the realm of foreign policy) politicians or administrators to act, but to garner wider attention and promote a change in US Federal policy.

Northeastern workers may have seen central leaders and policies as being to blame for their hardships, but they also recognized that the central government was a strategically non-viable target of collective action. As one irate laid-off miner in Benxi put it: "We deeply hate Jiang Zemin and the other central leaders! They have destroyed the economy of the entire Northeast. But it is of no use to criticize them directly. If you do that, you will just be arrested; but it will not put food in your child's stomach! When there is a protest here, we always say that it is against problems with the Benxi city government or mining bureau. That way, sometimes the central government – for example the Ministry of Civil Affairs – distributes money to help us."[81] For him and others like him, in contrast to the "rightful resisters" Kevin O'Brien and others found in the Chinese countryside,[82] but like the Berkeley peace activists, the local government was (or specific bureaus thereof were) merely the overt target of Northeastern workers' collective action, while the central state was the hidden target. Contentious workers in the Northeast tried to cajole or compel the central state into providing assistance to a region battered by its reform policies, where local governments and firms were unable to ease workers' suffering.

For workers on the Central Coast, their firms were usually both the hidden and overt targets of collective action. Only after collective action with the firm as sole target failed did they try to force the hand of local governments. In both contexts, the choice of overt targets was strategic,

[81] Benxi interviewee 22.

[82] See: Kevin J. O'Brien, "Rightful Resistance," *World Politics* 49/1 (1996), pp. 31–55; Kevin J. O'Brien and Lianjiang Li, *Rightful Resistance in Rural China* (Cambridge: Cambridge University Press, 2006). Rural rightful resisters make use of the rhetoric or regulations of the center to criticize local abuses. The Northeastern contentious workers used action against the local state as leverage to get the central state to act to remedy some of the harm its policies allegedly caused.

but in each region the choice was shaped by differing sets of incentives created by local state capacity and central–local relations. The Shanghai fish-processing plant worker mentioned earlier indicated that she and her coworkers protested on Nanjing Road only after smaller protests within the firm had failed to produce results. Even when the overt target became the local state, the goal was always to make the firm obey the law (or what workers believed was the law).[83] One manager in Benxi summarized such thinking (while lamenting that most Northeastern workers rarely followed this logic): "Laid-off workers who don't get benefits should first directly confront enterprise leaders and managers to ask for assistance. If this proves unsuccessful, they should take their grievances to the relevant local state bureaus. If enterprise leaders or local officials are clearly corrupt or incompetent or completely refuse to listen to workers, only then workers have the right to cause a disturbance."[84]

In Upper Changjiang and North Central cities, local governments, or individual corrupt officials, were the most common targets of laid-off workers' contention. As workers mobilized for redress of their grievances of opportunity, in support of regulatory reform, or against corruption, the local state was the most logical target for their actions. This contrasted markedly with the general claim that "centralized states with effective policy instruments at their command attract collective actors to the summit of the political system, whereas decentralized states provide a multitude of targets at the base."[85] Overt targets of workers' collective action in centralized China were nearly always individual firms or local states, and almost never the commanding heights of the center.

Conclusion

For laid-off Chinese workers, several dimensions of regional political economy played strong roles in conditioning the grievances, frames, mobilizing structures, targets, tactics, and opportunities that animated their collective action and the local state responses they faced. Beyond China, my findings suggest that concepts from the social movements literature may not be completely alien or inappropriate to the study of contentious politics in authoritarian or communist contexts. Such concepts do, however, like computer software, require some degree of "localization" or refinement before their analytical power can be unleashed. Most obviously, where "social movement organizations" in the classic sense are nearly always repressed, movement leaders are

[83] Shanghai interviewee 37. [84] Benxi interviewee 41.
[85] Tarrow, *Power in Movement*, p. 81.

frequently jailed as soon as they show themselves in public, and the media are tightly controlled, the concepts of frames and mobilizing structures must be fine-tuned to be of explanatory use. Our understanding of targets of collective action must also be refined to explain contention in an authoritarian context where direct assault on certain targets is out of bounds and oblique angles of attack can sometimes produce better results for participants.

Besides looking for mobilizing structures in social organizations or units (like housing compounds) that do not exist in order to facilitate collective action, and allowing for the possibility that overt and hidden targets of collective action are not always the same, more challenging conceptual modifications must be made to the ideas of frames and framing processes. If we begin with the basic insight that "grievances or discontents are subject to differential interpretation, and . . . variations in their interpretation . . . can affect whether and how they are acted upon,"[86] we can take a benchmark definition of frames to be: patterns of interpretation through which individuals or organizations perceive their circumstances that influence the behavior of these individuals or groups with regard to collective action. With this definition as a starting point, the sort of frames deliberately shaped by leaders and formal organizations that are given prominence in much of the literature can be seen as but one possible subtype of frames (one that could be called "liberal frames"). These tend to exist where social movement organizations are relatively free to form and operate.

A different, but equally legitimate (and probably more common) subtype could be called "mass frames."[87] These frames are not shaped or deployed by leaders or organizations, but rather are widely held by individuals in structurally similar social situations and contexts. They can affect individual behavior just as strongly as liberal frames do. Looking at informal frames in this way can open up large new sets of outcomes and cases to social movement analysis and promote a more rigorous understanding of collective action and contention outside of its traditionally associated liberal democratic political context, without abandoning any causal role for structure.

Finally, disaggregation by region is a useful step in beginning to understand how individuals mobilize collectively in complex contexts where previously there existed various competing, seemingly

[86] David A. Snow, Burke Rochford Jr., Steven K. Worden, and Robert Benford, "Frame Alignment Processes, Micromobilization, and Movement Participation," *American Sociological Review* 51/4 (1986), p. 465.
[87] Hurst, "Mass Frames and Worker Protest."

contradictory, theories. Such a suggestion ought not appear untoward to scholars of social movements and contentious politics who have been disaggregating actors by such variables as race, gender, class, cohort, and religion for some time. Careful disaggregation of structural contexts is but a logical next step, needed to better understand Chinese laid-off workers' contention and expand upon our current ability to differentiate, for example, between "Marx-type" and "Polanyi-type" protest.[88] It is also likely useful elsewhere for analysis of similar phenomena, and for promoting a more refined analysis of contentious politics generally.

[88] Lee, *Against the Law*, p. 10.

Conclusion

Introduction

The preceding chapters have examined the causes of lay-offs, state responses, workers' coping strategies, and patterns of contention. The basis for all of this has been a subnational comparative analysis of Chinese regions. This has enabled more nuanced explanations and the formulation of a number of hypotheses, to explain not just the outcomes of interest but also the antecedent conditions required for these explanations to operate.

Specifically, though business environments and central–local relations produced lay-offs across all four regions, the timing and the manner of change were different. Northeastern SOEs found themselves structurally disadvantaged in the market and virtually abandoned by the central state, and laid off large numbers of workers beginning in the 1980s. Central Coast firms dealt with voluntary departures of workers entering the non-state sector and also with higher-level directives to lead the way along the national path toward capitalist reform and development. This meant sharp declines pre-1997 that had more to do with the pull of market opportunity than anything else, followed by later decreases in Central Coast workforces driven by a desire to become market leaders. Sector-specific pressures produced lay-offs in North-Central and Upper Changjiang firms before 1997, followed by sharper cuts, in the immediate aftermath of the fifteenth Party Congress, that continued in the Upper Changjiang but largely tailed off in the resource-extractive firms of the North-Central region.

Also, though the central state undertook several overarching initiatives under the re-employment project, regional variation in implementation and policy innovation was often more important. Strong city governments and relatively well-off firms on the Central Coast successfully implemented both enterprise-based and state-based policies. Workers there were both well provided for in terms of their basic welfare and often placed into new jobs through formal channels. Both types of welfare system performed badly across North-Central and Upper

Changjiang cities, but informal and *ad hoc* schemes there did manage to provide both welfare and re-employment to many workers. Finally, in the Northeast, enterprise-based policies never even got off the ground in most contexts. Informal measures were rarely adopted and even less often successful. But state-based policies do seem to have had some effect after about 2003.

In terms of coping strategies, self-employment was important everywhere. The persistence of social hierarchies from the Maoist era and the enduring importance of *guanxi* were across-the-board trends. But market opportunity in the entrepreneurial sector was not distributed evenly across regions. In the Northeast, and many North-Central cities, so few opportunities existed that workers sometimes migrated to the countryside and often attempted to leave the region. On the Central Coast, strong local states protected sufficient opportunity for laid-off workers that the influence of *guanxi* and held-over hierarchical status was significantly diminished. But in Upper Changjiang cities, workers had to compete with rural migrants, capable of accepting much lower wages, for what jobs were available, making connections and status perhaps most important in that region.

Finally, though all localities experienced episodes of workers' contention, regional patterns are readily observable. All five dimensions of regional political economy, working in different combinations, helped shape workers' grievances, claims, tactics, targets, mobilizing structures, and frames. Local state capacity also powerfully conditioned the response from city governments, whether repressive, accommodative, or simply ineffective.

Overall, the manner in which jobs were lost, and the social effects these losses had, varied powerfully across regions between the early 1990s and about 2004. But my study up through this point has stopped short of addressing possible longer-term trends. There is also some need to fill in some details of the story that unfolded after about 2005. Only then can we begin to speak about what a post-downsized China might look like.

So, what happened to China in the wake of SOE lay-offs? Can we discern trends or trajectories of social change beyond the October 2007 seventeenth Party Congress? I believe that we can. First, there was a concerted effort by the Chinese government to create a new urban social institution – the *shequ*. This produced mixed results that also varied by region, but had important implications for the organization and control of Chinese urban society. Second, the working class, as it was called into being through socialist developmentalism, became not simply dislocated but increasingly incoherent as a social group. Such disintegration of a

key group in the polity is unprecedented, even in the context of wrenching post-socialist reform. It portends difficult times, not just for workers' independent political representation or participation, but also for continued state- or Party-directed mobilization and control.

Finally, what are the implications of this study beyond China's borders? Can the hypotheses and arguments be formulated in such a way as to facilitate comparative analysis across other countries or continents that addresses basic unanswered theoretical questions? At the end, I reframe the main arguments of each chapter as general hypotheses.

From work unit to community?

Since the late 1990s, China has made a concerted effort to craft a new institution of local governance – the "community" or *shequ*. These units were explicitly intended to take over many of the political and social functions of the work unit and other institutions of street-level governance. The implication was that "*danwei* man" would be transformed into "society man," with the *shequ* becoming a new all-enveloping social institution.[1]

Three *shequ* models were developed. These included: (1) a weak "Shenyang model" under which the authority of both the new community and older government organizations was limited; (2) a hierarchical "Shanghai model" under which the community was essentially coopted by the increasingly powerful local street committee; and (3) a "Jianghan model" that sought mainly to use broadly autonomous and consultative *shequ* to shore up faltering local state capacity.[2] Different cities and districts deployed each of these in efforts to replace fading structures of work unit and residents' committee organization and control.

[1] Tian Yipeng and Qi Si, *"Danwei Shehui" de Zhongjie: Dongbei Lao Gongye Jidi "Dianxing Danweizhi" Beijingxia de Shequ Jianshe* (The End of "Work Unit Society": Community Development against the Background of a "Typical Work Unit System" in Northeastern Old Industrial Bases) (Beijing: Shehui Kexue Wenxian Chubanshe, 2005), p. 145.

[2] Ibid., pp. 146–51. The details of the Shanghai model are further examined in Shanghaishi Shehui Kexue Jie Lianhe Hui Shanghaishi Minzheng Ju, & Shanghaishi Shequ Fazhan Yanjiu Hui, *Shanghai Shequ Fazhan Baogao (1996–2000)* (Shanghai Community Development Report 1996–2000) (Shanghai: Shanghai Daxue Chubanshe, 2000). For empirical analysis of the model in action, see Zhang Yuzhi, *Zhuanxing Zhong de Shequ Fazhan: Zhengfu yu Shehui Fenxi Shijiao* (Community Development in the Midst of Transition: Analytical Perspectives on State and Society) (Shanghai: Shanghai Shehui Kexue Chubanshe, 2003).

As of early 2008, the *shequ* project was still in relatively early stages of implementation. Nevertheless, several trends had already appeared. First, the *shequ* in some contexts came to directly replace the work unit as a neighborhood organization. In fact, under the Shenyang model, *shequ* (sometimes even referred to as "*danwei shequ*") were often built directly on the remnants of *danwei* housing compounds.[3] Second, *shequ* steadily assumed responsibility for re-employing laid-off workers after the demise of the RSC program. Numerous specific examples of re-employment through the *shequ* can be found in cities as diverse as Shenyang, Jilin, Ningbo, Wuhan, and Beijing.[4] Nationwide, by the end of 2004, *shequ* directly employed at least 2.4 million workers, having added more than 700,000 laid-off workers after 2003.[5] One study noted that just across Liaoning Province by 2005, *shequ* had undertaken numerous tasks of social support and welfare, including arranging the employment of more than 2 million unemployed workers (700,000 of whom were directly employed by the *shequ* themselves).[6]

Some organizations, like the Women's Federation, that had been running informal re-employment schemes earlier, turned quickly to utilize the *shequ* as a mechanism for providing all manner of social services. These ranged from legal aid to villagers to stamping out the *Falun Gong* cult.[7] Also among their efforts were programs for re-employment of laid-off workers. Some of these directly employed out-of-work individuals in the service of the *shequ*.[8] Others established service centers or

[3] Tian and Qi, "*Danwei Shehui" de Zhongjie*, p. 146.

[4] Ibid., pp. 191–2, 203–4, 222, 224–8, 248–51, 268–72; Lian Yuming, Wu Jianzhong, *et al.*, *Zhongguo Guoqing Baogao: Xin Shiye, cong "Tigao Shenghuo Shuiping" dao "Gongxiang Gaige Fazhan Chengguo"* (China's National Situation: A New Field of Vision, from "Raising Living Standards" to "Collective Enjoyment of the Fruits of Reform and Development") (Beijing: Zhongguo Shidai Jingji Chubanshe, 2006), pp. 228–30; Wei Baoling, Cao Li, and Liu Changjiang, "Bai Ming Xiagang Shiye Renyuan Kan Shequ Jiuye" (One Hundred Laid-off and Unemployed Individuals Look to the Community for Employment), *Zhongguo Laodong* 1 (2002), p. 46, and 2 (2002), p. 49.

[5] *Zhongguo Laodong Tongji Nianjian* 2005, pp. 180–1.

[6] Cao Zhihong and Li Zhiguo, "Hangshi Chengzhen Gongzuo Jichu, Tuijin Hexie Shequ Jianshe" (Laying the Foundation of Urban Work, Promoting Harmonious Community Construction), in Cao Xiaofeng, Fang Xiaolin, and Zhang Zhuomin, eds., *2006 Nian: Liaoning Jingji Shehui Xingshi Fenxi yu Yuce* (Beijing: Shehui Kexue Wenxian Chubanshe, 2005), pp. 320–2.

[7] Daqing Shi Funü Lianhe Hui, *Kaizhan Jinguo Zhiyuanzhe Huodong Quanxin Quanyi wei Shequ Qunzhong Fuwu* (Develop Women Volunteers' Activities to Serve the Masses in the Community with Heart and Soul) (Experience Report to the Heilongiang Women's Federation Congress, January 22, 2002).

[8] Yang Yiyong, "Shequ Jiuye: Zhongguo Chengshi Jiuye de Xin Zengzhang Dian" (Community Employment: The New Expansion Point for Urban Chinese Employment), *Jingji Yaocan* 41 (2001), pp. 15–29.

assistance programs under *shequ* auspices to help the unemployed find new work.[9] Some organizations went so far as to tout such programs in reports to superiors as ways to both promote re-employment and reinvigorate tired mass organizations, while also helping develop a new "cultural model" of the *shequ*.[10]

These new schemes potentially both obviated and formally institutionalized earlier street committee welfare and re-employment schemes. It also appeared as though many schemes were funded and implemented more successfully by the *shequ* than they had been under the auspices of labor bureaus or work units.[11] Third and finally, the *shequ* became a mechanism of social control that could help fill the void left by the decrepit work unit system.[12] This was especially true under the Shanghai model, which had social control as one of its primary goals. But every model of *shequ* sought to enhance the declining capacity of local governments to head off popular contention before it began.

It remains to be seen whether the *shequ* can truly replace the *danwei* as an institutional basis for social protection and control. It was clear by 2008, however, that this was a primary goal of the Chinese government's policy. If successful, such a transition could preserve or even reinvigorate many important aspects of pre-reform urban Chinese society and politics. Whether such a communitarian and segmented system of urban organization is compatible with the construction of the genuinely open and competitive markets the Chinese government also professes to desire is an unresolved question. But, regardless of whether they promote marketization, the *shequ* may be able to salvage just enough of socialism to stave off the onset of severe post-socialist malaise among the working class, a disease that could threaten the continued survival of the regime.

[9] Laodong he Shehui Baozhang Bu Peixun Jiuye Si, *Shequ Jiuye Gongzuo Zhinan* (Guide to Community Employment Work) (Beijing: Zhongguo Laodong he Shehui Baozhang Chubanshe, 2002).

[10] See, e.g., Bei'an Shi Funü Lianhe Hui, *Yi Funü Zaijiuye Fuwu Zhongxin wei Yituo Goujian Shequ Fuwu Wangluo* (Rely on Women's Re-employment Service Centers to Built a Community Service Net) (Experience Report to the Heilongjiang Women's Federation Congress, January 22, 2002).

[11] Zhao Jian, "Zaijiuye Gongcheng de Yige 'Liangdian": Shequ Fuwu" (One "Bright Spot" of the Re-employment Project: Community Service), *Zhongguo Laodong* 10 (1999), pp. 19–20.

[12] Liu Jianjun, *Danwei Zhongguo: Shehui Tiaokong Tixi Chonggou zhong de Ge Ren, Zuzhi, yu Shehui* (Work Unit China: The Individual, Organizations, and the State in the Midst of Remaking the System of Social Control) (Tianjin: Tianjin Renmin Chubanshe, 2000), especially ch. 17.

Toward a prosperous and harmonious society

Deng Xiaoping first identified the creation of a "prosperous society," *xiaokang shehui*, as a goal of Chinese policy. This goal took on new significance in the closing days of Jiang Zemin's term as Chairman and especially after the sixteenth Party Congress. The idea of building a "harmonious society," *hexie shehui*, then became a cornerstone of Hu Jintao and Wen Jiaobao's leadership after 2005.

Building on his earlier emphasis on social coordination and equality, Hu Jintao officially laid out the concept of a Socialist Harmonious Society at the fourth Plenum of the sixteenth Party Congress in 2005. He then further elaborated how the Party should work toward this goal in a subsequent work conference. Building a socialist harmonious society, Hu argued, entailed reorienting the Party's capacity toward human development and the promotion of equality and social justice in addition to aggregate economic growth. Persistent unemployment in the state sector was offered as a major reason for China's "unharmonious" nature.[13]

To succeed in building a harmonious society, the Party should emphasize the "Four Respects" (*Si ge Zunzhong*) – for labor, knowledge, talent, and creativity. Though somewhat similar to his predecessor Jiang Zemin's "Three Represents" (*San ge Daibiao*), the Four Respects were glossed with a decidedly more populist rhetorical tone. In fact, the Four Respects were intended as an ideational foundation for initiatives (many to be coordinated by the *shequ*) to rescue workers from anomie and restore in their lives the lost benefits of the work unit: economic security, social cohesion, and political control.[14] While some may dismiss Hu's ideas as empty rhetoric, there is evidence that they did represent a significant shift in the official ideology of the Party center.

Essential to the construction of any harmonious society was a reduction in income inequality and the massive extension of the incipient Chinese welfare state. Just what this means for labor reform going forward is not entirely clear. Officially accepted visions of China's ideal new labor and welfare state regime range from Scandinavian-style social democracy, to German tripartite bargaining, and myriad alternative arrangements more closely suited to Chinese national conditions.[15]

[13] Li Qunru, Yan Shuhan, and Lu Xianfu, eds., *Shehuizhuyi Hexie Shehui Lun* (A Theory of a Socialist Harmonious Society) (Beijing: Renmin Daxue Chubanshe, 2005), pp. 50–1, 104.
[14] Ibid., pp. 137–44, 219–37, 234–7.
[15] Li Huan, *Hexie Shehui yu Zhongguo Laodong Guanxi* (The Harmonious Society and Chinese Labor Relations) (Beijing: Zhongguo Zhengfa Daxue Chubanshe, 2007).

But to the extent that urban China becomes less unequal and more socially inclusive, this could render many of the issues surrounding layoffs obsolete. In order for this to happen, however, the generation of workers who lost their jobs in the 1990s and early 2000s must be protected and cared for through old age, and their children must somehow be granted much more expansive opportunities than the dying state sector is able to provide.

Whither the Chinese working class?

As the Communist Party withdrew from its old role of working class vanguard, SOE workers were abandoned by their political champion and revolutionary master. Not only did the working class become less able to act meaningfully in its own interest; it also lost the puppeteer that had so successfully pulled its strings on the political stage for nearly eight decades. Building on the ideas of Thompson, Katznelson, Kaple, and Frazier, we can conclude that Chinese SOE workers by 2008 were less of a class on every key dimension than at any other time since 1949. No longer bound together through their common labor on the production line or through shared "ways of life" and dispositions forged over decades together in workers' housing compounds and work unit activity centers, and increasingly denied the ability to mobilize in their class interest, laid-off workers in particular became decoupled from any class identity or membership they may once have had.[16] This effected a virtual disintegration of the Chinese working class as conceived and called into being by the CCP.

How the dislocation of China's working class will play out in the longer term remains to be seen. We do not yet know whether the fabled fish of the Chongqing manager's metaphor might spring out of its trance before it is completely cooked. But assuming no last hurrah from the socialist proletariat, the most salient issue for the CCP in the years ahead will not be the problem of working class resistance, but rather the question of how to deal with an *atomized* mass of the dislocated. A lack of organization or class identity can be damaging not only to workers'

[16] E. P. Thompson, *The Making of the English Working Class* (New York: Vintage Books, 1966); Ira Katznelson, "Working-Class Formation: Constructing Cases and Comparisons," in Katznelson and Aristide R. Zolberg, eds., *Working-Class Formation: Nineteenth-Century Patterns in Western Europe and the United States* (Princeton: Princeton University Press, 1986), pp. 14–21; Deborah A. Kaple, *Dream of a Red Factory: The Legacy of High Stalinism in China* (Oxford and New York: Oxford University Press, 1994); Mark W. Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management* (Cambridge: Cambridge University Press, 2002).

political interests, but also to any state that seeks to control and manipulate their political and social behavior. Deprived of the structural basis of class politics, it is difficult to see how the Party could continue to coopt or control urban residents as effectively as it had in the past, even if the *shequ* project succeeds. There is a risk, in other words, that the rigid charismatic Stakhanovist (or Lei Feng-ist) discipline of the past could fade into a messy post-socialist entropy.

As the first reigning Communist Party to cut loose the working class in a period of relative stability, the CCP has taken a gamble – one that could transform the Chinese polity firmly away from socialism and either toward a novel brand of developmentalist authoritarianism or toward some variant of political liberalization or democratization.[17] Alternatively, as the Chinese economy is pried away from the plan and thrust into the stormy waters of a still inchoate market, the political demise of the working class could be the final maneuver of a desperate and isolated Party destined to lose control of its country in the years to come. The CCP, like the Communist Party of the Soviet Union during the last days of the USSR, could well wind up with only "negative power," such that it might, "prevent, obstruct, and coerce, but . . . no longer even pretend to initiate, create and convince."[18] Caught in such a predicament, the Party could even meet a fate similar to its Soviet counterpart, if it fails to transform China into the latest miracle of development success.

If the CCP is to achieve the rapid and relatively smooth transformations it wants, it will have to undertake a simultaneous distribution of real benefits to the new losers and thorough cooptation of the new winners. And it will have to do both more effectively than it has been able to do so far. The coming years will be a critical period, revealing which trajectory the CCP has indeed landed on. It should soon become clearer whether China is on its way toward a successful transition to democracy, a brave new world of developmentalist authoritarianism, or political decay and eventual regime collapse. Either way the new class of ex-SOE workers will have a key role to play.

Generalizing the arguments beyond China

The preceding chapters examined empirical details and theoretical implications of issues relating to the causes of lay-offs, state policy

[17] Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, MA: Harvard University Press, 2006).

[18] M. Steven Fish, *Democracy from Scratch: Opposition and Regime in the New Russian Revolution* (Princeton: Princeton University Press, 1995), p. 51.

responses and the effects of welfare reform on laid-off workers, workers' informal coping and re-employment strategies, and the roots and forms of workers' contention. In so doing, they have addressed theories of political economy and post-socialist transition, welfare policy and social protection, social capital and informal worlds of work, and contentious politics. Beyond the specific issues and points already covered, understanding labor reform in Chinese SOEs speaks to broader issues in Chinese politics and comparative politics more generally.

One important goal of all comparative research is "the substitution of variables for proper names of social systems."[19] From the preceding chapters, it is possible to draw out a number of "general law-like sentences"[20] that can then be tested in contexts beyond contemporary China. These are hypotheses in the truest sense of the term, general causal claims inductively developed from the intensive study of one country during one time period. Determining how widely applicable they may be, and how they ought perhaps to be refined, are tasks for future research. First, based on the arguments and evidence presented in Chapter 2, we may claim that *hardening budget constraints are not always the primary driving force behind firms' decisions during transitional periods between plan and market – rather, state firms face much more complex and multifaceted systems of incentives and constraints, in which continuing bureaucratic control is often as powerful a motivation as hardening budgets*. Many studies imply a dichotomy between a socialist planned economy and a capitalist market economy. A transition is then said to occur when a given society, by some set of measures, "crosses the line." Not only is the relationship between plan and market graded rather than dichotomous, but numerous other aspects of "transition" should also be reconsidered.

There is a frequent assumption that "socialist budgets are soft, market budgets are hard." This is closely related to the idea that markets "impose exit" upon chronically unprofitable or uncompetitive firms, while socialist planners cover the losses of badly managed firms and keep them in business. But the argument that a switch to market-based structures can expediently harden the budgets of socialist firms is clearly not always valid. Chinese state firms continue to respond to state directives as much as to market signals, and SOE budgets have not yet been decisively hardened by China's transition from plan to market. This strongly suggests that the political economy of transition might usefully

[19] Adam Przeworski and Henry Teune, *The Logic of Comparative Social Inquiry* (New York: Wiley-Interscience, 1970), p. 25.
[20] Ibid., p. 30.

be painted in more graded and nuanced tones, with less ready recourse to grand doctrines of market discipline.

Second, Chapter 3's analysis of state attempts to grapple with the social ills of lay-offs can be reformulated into the general statement that *formation and implementation of social welfare policy in fragmented negotiated production regimes (and likely in other similarly non-uniform cases) is uneven, and can create unanticipated or peculiar outcomes of conflicting incentives, increased power of local agents, and informalization of social and economic relations*. This hypothesis provides a caution against assuming that "losers can be compensated" or that successful policies to ameliorate the social effects of economic change can spring forth automatically; or, alternatively, that no policy could ever address the problem. It supports the idea that social policy responses to economic reorganization can lead to an unintended weakening of political structures and relationships beyond that caused directly by economic change.

Third, Chapter 4 suggests that *in the context of suddenly imposed significant urban unemployment and a failure of state institutions either to capture the dislocated or to regulate nascent labor markets efficiently and equitably, a particular kind of new informal sector arises that reproduces old status hierarchies, is not intertwined with the formal economy, and shows little tendency for either "sweatshop" production or employment-producing entrepreneurship*. Research on the informal economy and "informalization" has focused on Latin America, Africa, and South Asia. Most arguments have held that the informal and formal sectors are closely intertwined and intermingled. The formal economy is often said to provide a supporting structure for informal economic activity – similar to Andrew Nathan's classic model of Chinese informal politics resting on its formal structures like "vines on a trellis."[21]

My findings on the re-employment of Chinese laid-off workers question this framework. The informal labor market and economy in urban China were quite sharply differentiated from their formal counterparts. Instead of vines on a trellis, the relationship was more reminiscent of parallel universes. With formal labor markets in dramatic decline, informal ones appeared to be on the rise. Rather than living in symbiosis, China's formal socialist economy was being devoured by the informal sector, as an ailing patient is attacked by a cancer, and may soon become a relic of history. Looking back at other cases through this lens could yield a variety of insights, particularly on the persistence of specific forms of inequality in the midst of transition.

[21] Andrew J. Nathan, "A Factionalism Model for CCP Politics," *China Quarterly* 53 (1973), pp. 34–66.

Fourth, Chapter 5 suggests that *important dynamics of contentious politics (e.g. frames, claims, mobilizing structures, tactics, and targets) are shaped powerfully in identifiable and predictable ways by structural context*. If applicable beyond contemporary China, this hypothesis would add a new dimension to the analysis of social movements and contention. It also provides a basis for "bringing structure back in" to a field that has perhaps swung too far in the direction of "culturalist" interpretive analysis.

Framing the arguments in such general terms highlights the status of China as an example of post-socialist transition. In that vein, more explicit comparison of China and other post-socialist cases may be useful in future. Many of the issues raised are also often grappled with by most developing countries. Systematic and careful future comparisons between China and countries in South Asia, Latin America, Southeast Asia, and Africa would also be extremely fruitful in testing and refining these general claims. The specific findings, on their own, also suggest several ways in which broad theories and debates might be usefully reconsidered.

Future studies of China and other large developing or post-socialist countries might usefully focus on variation between regional or subnational units. Nuanced research from such a perspective should also pay particular attention to divergent histories of the development of subnational regions within states. While such analysis would sacrifice the parsimony of other approaches, the accuracy and detail gained would provide a number of important advantages. Such a method could also facilitate comparisons of subnational units or regions *between* states – for example, comparisons such as China's Northeast with the US Great Lakes; or of North-Central China with Wales, Silesia, or parts of Appalachia, could fruitfully be explored.

My findings also suggest two ways in which the study of China might further its integration with the wider field of comparative politics, without sacrificing its admirable emphasis on empirical detail and accuracy. First, the analytic focus ought perhaps to shift from macro-level studies of China and micro-level studies of villages, cities, or neighborhoods, to "middle level" studies that seek to build measured or contingent generalizations from combining local case studies.[22] A focus at the middle level may also make it easier to discern which aspects of

[22] Lowell Dittmer and William Hurst, "Analysis in Limbo: Contemporary Chinese Politics amid the Maturation of Reform," *Issues and Studies* 38/4–39/1 (2002–3), pp. 40–1. See also William Hurst, "Cases, Questions, and Comparisons in Research on Contemporary Chinese Politics," (paper presented at the "Sources and Methods in Chinese Politics" conference, University of Michigan, November 2006).

Chinese politics might usefully be subjected to cross-national comparative analysis.

Second, there is an increasingly clear potential for the systematic analysis of social groups or classes in Chinese society as the country undergoes tectonic political and economic change.[23] So far, however, this potential has languished, in favor of sectoral studies, analysis of elite politics, or a focus on formal institutions. Armed with a more complex view of both the state and social groups, China scholars could take great strides toward further specifying key dynamics of state–society relations – that is, the politics of interaction and connection between formal institutions and elements of "mass society."

Conclusion

It is my hope that this study might help establish subnational comparison as a research agenda in the study of Chinese politics. This is especially true for research on questions for which broad contours are known, but specific processes and mechanisms remain opaque. The sort of approach I propose could permit the development of clearer explanations and specification of the conditions required for these to operate. Such arguments could then be tested by better-focused quantitative work. Details of causal mechanisms could be illuminated through more micro-level case studies.

Rigorously testing all the hypotheses and explanations laid out over the preceding chapters, across all cases and contexts where they might apply, must remain the task of future research. Still, this study advances the boundaries of scholarship on labor reform in the world's largest and most important post-socialist country. The years ahead will provide ample opportunity for examining all the implications of theories of social change and dislocation from lay-offs in the 1990s and early 2000s.

China's "new day" of socialism is drawing to a close. The last rays of revolution are receding over the horizon. But even as the lights dim and the scene changes, the remnants of the socialist working class continue to inhabit center stage in this great political drama. How the role of worker changes in the next act will help shape the nature of post-socialism in China and beyond.

[23] Dittmer and Hurst, "Analysis in Limbo"; William Hurst, "The City as the Focus: The Analysis of Contemporary Chinese Urban Politics," *China Information* 20/3 (2006), pp. 461–4.

Appendix: List of interviewees

BEIJING INTERVIEWEES (2000 TO 2006)[1]

1. State Council ministry official (October 2000)
2. State Council ministry official (November 2000)
3. State Council ministry official (November 2000)
4. State Council ministry official (October 2001)
5. State Council ministry official (December 2001)
6. State Council ministry official (February 2002)
7. State Council ministry official (January 2003)
8. State Council ministry official (February 2002)
9. State Council ministry official (April 2002)
10. State Council ministry official (April 2002)
11. State Council ministry official (April 2002)
12. National mass organization cadre (April 2002)
13. 51-year-old, male, laid-off chemical worker (July 2002)
14. Academic researcher (July 2000)

BENXI INTERVIEWEES (NOVEMBER 2000 AND NOVEMBER/DECEMBER 2001)

1. 21-year-old, female, laid-off clerk (2001)
2. 22-year-old, male, laid-off steel worker (2001)
3. 24-year-old, male, laid-off coal-miner (2001)
4. 27-year-old, female, laid-off electrician (2000)
5. 27-year-old, male, electrician (2000)
6. 28-year-old, male, laid-off coal-miner (2001)
7. 29-year-old, male, laid-off steel worker (2001)

[1] Note: "State Council ministry" here also refers to the Supreme People's Court and Supreme People's Procuratorate (even though these do not work directly under the State Council), the General Office of the State Council, and State Council bodies with bureau-level status, in addition to true "ministries." This broad definition is used to avoid singling out interviewees from particular organizations. Only the date of the first interview with any individual is listed.

8. 34-year-old, female, laid-off manager (2000)
9. 34-year-old, female, laid-off steel worker (2001)
10. 36-year-old, male, laid-off ore-miner (2001)
11. 37-year-old, male, laid-off road worker (2001)
12. 38-year-old, female, laid-off steel worker (2001)
13. 38-year-old, male, laid-off coal-miner (2000)
14. 39-year-old, female, "vacationing" cadre (2000)
15. 42-year-old, male, laid-off coal miner (2000)
16. 42-year-old, male, laid-off construction foreman (2000)
17. 42-year-old, male, laid-off machine tool plant worker (2000)
18. 43-year-old, male, laid-off coal-miner (2000)
19. 44-year-old, female, laid-off manager (2000)
20. 44-year-old, male, laid-off coal-miner (2001)
21. 45-year-old, male, laid-off police officer (2001)
22. 46-year-old, male, laid-off coal-miner (2001)
23. 46-year-old, female, laid-off building maintenance worker (2000)
24. 47-year-old, male, laid-off coal mine foreman (2001)
25. 47-year-old, female, laid-off chemical worker (2000)
26. 47-year-old, male, laid-off foreman (2001)
27. 48-year-old, male, laid-off cement worker (2000)
28. 49-year-old, female, laid-off coal-miner (2000)
29. 50-year-old, male, laid-off printing press operator (2000)
30. 52-year-old, female, retired steel worker (2001)
31. 58-year-old, female, retired miner (2001)
32. 74-year-old, male, retired railroad worker (2001)
33. 76-year-old, female, retired clerk (2001)
34. Female bakery employee (2001)
35. Female bakery employee (2001)
36. Female bakery employee (2001)
37. Female bakery employee (2001)
38. Female bakery employee (2001)
39. Bank manager (2000)
40. Bank manager (2001)
41. SOE manager (2000)
42. SOE manager (2000)
43. SOE manager (2001)
44. SOE manager (2001)
45. SOE Party secretary (2001)
46. Enterprise cadre (2000)
47. Enterprise cadre (2001)
48. Trade Union cadre (2001)

49. City bureau official (2001)
50. City bureau official (2001)
51. City bureau official (2001)
52. City bureau official (2001)
53. City bureau official (2001)
54. City bureau official (2001)
55. City bureau official (2001)
56. City bureau official (2001)
57. City bureau official (2000)
58. Police officer (2001)
59. Police officer (2001)
60. Public security official (2001)
61. Public security official (2001)
62. City Party committee cadre (2001)
63. City Party committee cadre (2000)
64. City Party committee cadre (2001)

CHONGQING INTERVIEWEES (OCTOBER 2001 AND MARCH 2002)

1. 29-year-old, male, laid-off military enterprise worker (2001)
2. 29-year-old, female, laid-off military enterprise worker (2002)
3. 30-year-old, male, laid-off military enterprise worker (2002)
4. 32-year-old, female, laid-off chemical worker (2001)
5. 33-year-old, male, laid-off chemical worker (2002)
6. 34-year-old, male, laid-off retail worker (2002)
7. 34-year-old, male, laid-off military enterprise worker (2002)
8. 35-year-old, male, laid-off military enterprise worker (2001)
9. 35-year-old, male, laid-off military enterprise worker (2002)
10. 35-year-old, male, laid-off iron worker (2001)
11. 36-year-old, male, laid-off steel worker (2001)
12. 37-year-old, male, laid-off steel worker (2002)
13. 37-year-old, female, laid-off clerical worker (2001)
14. 38-year-old, male, laid-off steel worker (2001)
15. 38-year-old, male, laid-off manager (2002)
16. 39-year-old, male, laid-off coal miner (2002)
17. 41-year-old, female, laid-off textile worker (2002)
18. 41-year-old, male, laid-off coal-miner (2002)
19. 42-year-old, female, laid-off textile worker (2001)
20. 44-year-old, female, laid-off textile worker (2001)
21. 44-year-old, female, transport worker (2002)
22. 46-year-old, female, laid-off textile worker (2002)

23. 47-year-old, female, furniture factory worker (2002)
24. 50-year-old, female, laid-off appliance factory worker (2002)
25. 51-year-old, male, cardboard box factory foreman (2002)
26. 52-year-old, female, laid-off textile worker (2002)
27. 54-year-old, male, laid-off steel worker (2001)
28. 55-year-old, male, retired electrician (2002)
29. 68-year-old, male, retired military enterprise worker (2001)
30. 72-year-old, male, retired military enterprise worker (2001)
31. 34-year-old, male, migrant painter (2002)
32. 38-year-old, male, migrant porter (2002)
33. 47-year-old, female, migrant shoe-shiner (2002)
34. Municipal bureau official (2002)
35. Municipal bureau official (2001)
36. Municipal bureau official (2002)
37. Municipal bureau official (2002)
38. Municipal bureau official (2002)
39. Municipal bureau official (2001)
40. Municipal bureau official (2002)
41. Police officer (2002)
42. Police officer (2002)
43. Public security official (2002)
44. SOE manager (2002)
45. SOE manager (2002)
46. SOE manager (2001)
47. SOE manager (2002)
48. SOE manager (2002)
49. SOE manager (2002)
50. Bank manager (2001)
51. Bank manager (2001)
52. Bank manager (2002)
53. Street committee leader (2002)
54. Street committee leader (2002)

DATONG INTERVIEWEES (DECEMBER 2000 AND JULY 2002)

1. City bureau official (2002)
2. City bureau official (2000)
3. City bureau official (2000)
4. City bureau official (2002)
5. Public security official (2000)
6. SOE manager (2002)

7. SOE manager (2002)
8. 22-year-old, male, laid-off railroad worker (2002)
9. 30-year-old, male, laid-off coal-miner (2002)
10. 32-year-old, female, laid-off mine supervisor (2002)
11. 32-year-old, male, laid-off coal-miner (2000)
12. 33-year-old, male, laid-off coal-miner (2002)
13. 34-year-old, female, laid-off coal-miner (2000)
14. 35-year-old, male, laid-off railroad worker (2000)
15. 36-year-old, female, laid-off pharmaceutical plant worker (2000)
16. 38-year-old, female, laid-off pharmaceutical plant worker (2000)
17. 41-year-old, male, laid-off coal-miner (2002)
18. 42-year-old, female, laid-off clerical worker/supervisor (2002)
19. 46-year-old, male, laid-off coal-miner (2000)
20. 47-year-old, female, laid-off bus ticket-seller (2002)
21. 49-year-old, male, laid-off coal-miner (2000)
22. 51-year-old, male, laid-off brewery worker (2002)
23. Male protester (2002)
24. Male protester (2002)
25. Female protester (2002)

HARBIN INTERVIEWEES (JANUARY 2002)

1. Provincial Party committee cadre
2. Provincial Party committee cadre
3. Mass organization cadre
4. Re-employment center cadre
5. City Party committee cadre
6. City bureau official
7. City bureau official
8. City district official
9. City bureau official
10. Researcher/cadre
11. 26-year-old, female laid-off retail worker
12. 27-year-old, male, laid-off retail worker
13. 28-year-old, female, laid-off chemical worker
14. 29-year-old, female, laid-off chemical worker
15. 29-year-old, male, laid-off railway worker
16. 43-year-old, male, laid-off machine tool plant foreman
17. 46-year-old, female, laid-off lumber mill worker
18. 53-year-old, female, laid-off clerical worker
19. 55-year-old, male, retired electrician
20. Male taxi driver
21. Male taxi driver

LUOYANG INTERVIEWEES (JUNE 2002)

1. City bureau official
2. City bureau official
3. City bureau official
4. City bureau official
5. City bureau official
6. Public security official
7. 30-year-old, female, laid-off clerical worker
8. 31-year-old, male, laid-off glass factory worker
9. 33-year-old, male, laid-off tractor factory worker
10. 34-year-old, male, laid-off coal-miner
11. 35-year-old, female, laid-off glass factory worker
12. 38-year-old, female, laid-off glass factory worker
13. 40-year-old, male, laid-off coal-miner
14. 41-year-old, male, laid-off tractor factory worker
15. 41-year-old male, laid-off glass factory foreman
16. 42-year-old, female, laid-off tractor factory worker
17. 43-year-old, female, laid-off glass factory worker
18. 45-year-old, male, laid-off coal-miner
19. 47-year-old, male, laid-off tractor factory cadre
20. 48-year-old, male, laid-off coal-miner
21. 49-year-old, female, laid-off textile worker
22. 50-year-old, female, laid-off glass factory worker
23. SOE manager
24. SOE manager
25. SOE manager
26. SOE Party secretary
27. Military officer
28. Military officer

SHANGHAI INTERVIEWEES (JULY 2000, OCTOBER 2000, AND APRIL/MAY 2002)

1. Municipal bureau official (July 2000)
2. Municipal bureau official (July 2000)
3. Municipal bureau official (July 2000)
4. Municipal bureau official (July 2000)
5. Municipal bureau official (July 2000)
6. Municipal bureau official (October 2000)
7. Municipal bureau official (October 2000)
8. Municipal bureau official (October 2000)

9. Municipal bureau official (October 2000)
10. Municipal Party committee cadre (October 2000)
11. Municipal Party committee cadre (October 2000)
12. Municipal Party committee cadre (October 2000)
13. Trade Union cadre (July 2000)
14. Trade Union cadre and private enterprise owner (July 2000)
15. 24-year-old, female, laid-off textile worker (2002)
16. 27-year-old, female, former soldier (2002)
17. 30-year-old, male, laid-off retail worker (2000)
18. 31-year-old, female, laid-off fertilizer plant worker (2002)
19. 32-year-old, female, laid-off construction site overseer (2002)
20. 33-year-old, male, laid-off warehouse worker (2002)
21. 36-year-old, male, laid-off watch factory worker (2000)
22. 37-year-old, female, laid-off textile worker (2002)
23. 38-year-old, male, laid-off chemical worker (2000)
24. 40-year-old, male, laid-off warehouse worker (2002)
25. 40-year-old, male, laid-off steel worker (2000)
26. 41-year-old, male, laid-off steel worker (2000)
27. 42-year-old, male, laid-off dock worker (2002)
28. 42-year-old, female, laid-off retail worker (2000)
29. 43-year-old, male, laid-off chemical worker (2000)
30. 43-year-old, female, laid-off textile worker (2000)
31. 45-year-old, male, laid-off auto worker (2002)
32. 45-year-old, female, laid-off fish warehouse worker (2002)
33. 45-year-old, male, laid-off bus mechanic (2000)
34. 45-year-old, male, laid-off chemical worker (2000)
35. 46-year-old, female, laid-off clerical worker (2000)
36. 47-year-old, female, laid-off chemical worker (2002)
37. 48-year-old, female, laid-off fish processing plant worker (2002)
38. 48-year-old, female, laid-off government bureaucrat (2002)
39. 48-year-old, female, laid-off wholesale stock worker (2002)
40. 48-year-old, female, laid-off fish warehouse worker (2002)
41. 49-year-old, female, laid-off machine tool plant worker (2002)
42. 49-year-old, female, laid-off chemical worker (2000)
43. 49-year-old, male, laid-off sanitation worker (2002)
44. 50-year-old, male, retired machine tool plant worker (2000)
45. Approximately 50-year-old, male, laid-off foreman and management cadre (2000)
46. 52-year-old, male, retired truck driver (2002)
47. SOE manager (2000)
48. SOE manager (2000)
49. SOE manager (2000)

50. SOE manager (2000)
51. SOE manager (2000)
52. SOE manager (2000)
53. Re-employment service center director (July 2000)

SHENYANG INTERVIEWEES (NOVEMBER 2000 AND DECEMBER 2001)

1. 24-year-old, male, laid-off iron worker (2001)
2. 30-year-old, female, laid-off clerical worker (2001)
3. 36-year-old, male, laid-off auto worker (2000)
4. 39-year-old, female, laid-off technician/supervisor (2000)
5. 41-year-old, male, laid-off masonry worker (2001)
6. 43-year-old, male, laid-off auto worker/overseer (2001)
7. 44-year-old, male, laid-off construction worker (2001)
8. 67-year-old, female, retired mine employee (2001)
9. City bureau official (2000)
10. City bureau official (2000)
11. Provincial Party committee cadre (2001)
12. Provincial government department official (2001)

ZHENGZHOU INTERVIEWEES (JUNE 2002)

1. City bureau official
2. Provincial Party committee cadre
3. Provincial government department official
4. Public security official
5. SOE manager
6. SOE manager
7. 27-year-old, male, laid-off railroad worker
8. 30-year-old, female, laid-off water pump factory worker
9. 32-year-old, female, laid-off textile worker
10. 33-year-old, female, laid-off water pump factory worker
11. 34-year-old, female, laid-off textile worker
12. 35-year-old, male, laid-off railroad worker
13. 37-year-old, male, laid-off water pump factory worker
14. 42-year-old, female, laid-off railroad worker
15. 46-year-old, male, laid-off railroad foreman
16. Street committee leader
17. Street committee leader
18. City Party committee cadre

SPECIAL CATEGORIES[2]

NORTHEASTERN MANAGERS (INTERVIEWED 2000–2 IN THEIR HOME CITY)

1. Manager of large SOE in Northeastern China
2. Manager of large SOE in Northeastern China
3. Manager of large SOE in Northeastern China
4. Manager of large SOE in Northeastern China

ELITE INTERVIEWEES[3] (INTERVIEWED 2000–2 IN ONE PREFECTURE-LEVEL CITY AND 2004–6 IN BEIJING AND/OR OUTSIDE OF CHINA)

1. Central leader
2. Local leader
3. Local leader
4. Central leader
5. Local leader

[2] More exact dates and locations not given to protect anonymity of interviewees.
[3] Central leaders are central government officials of at least section chief (*sizhang*) level; local leaders are mayors, deputy mayors, party secretaries, and deputy party secretaries of prefecture-level cities.

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